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ABSTRACT

Presented is testimony given before the Subcommittee of the Senate Committee on Appropriations regarding the Departments of Labor and Health, Education, and Welfare and related agencies appropriations for fiscal year 1980. Statements are included from representatives of such agencies and organizations as the United Transportation Union, the General Accounting Office, and the National Foundation for Infectious Diseases. (JH)

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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

PART 4 (Pages 1–533)

NONDEPARTMENTAL WITNESSES
GENERAL ACCOUNTING OFFICE
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Printed for the use of the Committee on Appropriations

U S DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
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DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

WEDNESDAY, MARCH 21, 1979

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:40 in room 1318, Dirksen Senate Office Building, Senator Thomas F. Eagleton presiding.

Present: Senators Eagleton and Burdick.

NONDEPARTMENTAL WITNESSES

STATEMENTS OF:

J. R. SNYDER, NATIONAL LEGISLATIVE DIRECTOR, UNITED TRANSPORTATION UNION
O. M. BERGE, CHAIRMAN, RAILWAY LABOR EXECUTIVES' ASSOCIATION
EDWARD FREEMAN, RLEA COUNSEL
MR. MAHONEY, RLEA COUNSEL
JAMES BURKE, VICE PRESIDENT, UNITED TRANSPORTATION UNION
WILLIAM H. DEMPSEY, PRESIDENT, AMERICAN ASSOCIATION OF RAILROADS

RAILROAD RETIREMENT

Senator EAGLETON. Good morning, ladies and gentlemen.

The Subcommittee on Labor, Health, Education and Welfare, Senate Appropriations Committee, is in session to hear from public witnesses with respect to the fiscal 1980 budget of the Labor Department.

Now, we have some witnesses who have airplanes that they'd like to catch. I don't want to mess everybody else up. I'm just going to impose on other people's schedules, and ask if we can put the railroad witnesses on first. Will that inconvenience plans or compromise plans that others have made?

Apparently not. If that's all right, we'll proceed with the witnesses who currently want to testify on railroad retirement.

And if he'll come forward, we have the Railroad Labor Executives' Association. Mr. Snyder, is he here?

Mr. SNYDER. Yes, sir.

Senator EAGLETON. And we have—how many are in your group, Mr. Snyder?

Mr. Snyder. Oh, we have four, and then we have the carriers, Mr. Dempsey's group here.

Senator Eagleton. We've also got the Association of American Railroads, Mr. Dempsey and then Mr. Berge?

Mr. Berge. B-e-r-g-e.

Senator Eagleton. Railroad Retirement Committee.

I'm going to ask the witnesses—and I hope they'll understand—I'm going to place all their testimony in the record, place their full testimony in the record, and I want them to give me cogent highlights. I don't intend to sit here all year.

So we'll start off with you, Mr. Snyder, and would you give us the highlights and principal points you want to make? You may proceed.

[The statements follow:]

STATEMENT OF J. R. SNYDER

On behalf of the Railway Labor Executives' Association, its members and the employees of the Consolidated Railroad Corporation whom they represent, I wish to express our appreciation for the opportunity to present to your their views on a subject which we believe to be most vital to Conrail and its employees.

My name is J.R. Snyder. I am Chairman of the Legislative Committee of the Railway Labor Executives' Association and the National Legislative Director of the United Transportation Union. My office is located in the Railway Labor Building at 400 First Street, N.W., Washington, D.C. Accompanying me are Mr. James E. Burke, Chairman of the RLEA Subcommittee on Conrail and a Vice President of the United Transportation Union and Mr. William G. Mahoney, counsel to the Railway Labor Executives' Association.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of all of the standard national and international railway labor unions in the United States. The organizations whose chief executive officers are members of the RLEA are listed below:

American Railway Supervisors Association
American Train Dispatchers Association
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada
Brotherhood of Railway, Airline and Steamship Clerks
Hotel & Restaurant Employees & Bartenders International Union
International Association of Machinists and Aerospace Workers
International Brotherhood of Boilermakers & Blacksmiths
International Brotherhood of Electrical Workers
International Brotherhood of Firemen & Oilers
International Longshoremen's Association
International Organization of Masters, Mates & Pilots of America
National Marine Engineers' Beneficial Association
Railroad Yardmasters of America

Railway Employes' Department, AFL-CIO
Sheet Metal Workers' International Association
Seafarers International Union of North America
Transport Workers Union of America
United Transportation Union

Mr. Chairman, I am sure you recall vividly the great efforts which were expended by you and other members of the Congress as well as by many interested participants, including the RLEA, to secure enactment of legislation which would prevent the economic catastrophe which confronted this nation in 1972 when the Penn Central Railroad threatened to cease operations due to its total financial collapse. I think it can be safely said that the legislative results of those efforts have been a benefit not only to the Northeastern United States but to the entire nation. And while Conrail has not yet risen from the ashes of the bankruptcies of the Penn Central and the other Northeastern railroads which collapsed with it, I think it can be said with confidence that without the legislation which created Conrail we would today be neck deep in a transportation crisis which would have this nation on its economic knees. I believe that everyone who had a part in the enactment of the 3R Act should be proud of that accomplishment.

Conrail quite obviously is far from perfect and changes may have to be made in its organizational and, perhaps, even in its operational structure, but there can be no argument that Conrail is vital to the viability of the rail transportation network of the United States. It must be continued in operation.

During the course of the discussions which were held by numerous interested parties in a search for a solution to the problem created by the collapse of Penn Central and the other Northeastern railroads, it became clear that those railroads, which employed approximately 95,000 people would be required to cut back and extensively rearrange work forces. We knew that upon the enactment of any legislative solution to the Northeast crisis many of these employees would lose their jobs while others would be transferred to distant points.

The labor organizations desired the employees who were to be affected to have at least as good protection under the legislation as they had received with the Penn Central and which employees enjoyed generally in mergers in the railroad industry. A committee representing the various labor organizations was formed and discussed this matter informally with representatives of the railroads. The railroad management and labor representatives met with then Secretary of Transportation Claude Brinegar who suggested that they work out a protective formula for inclusion in the proposed legislation.

Following the meeting with Secretary Brinegar a negotiating committee was formed with then Southern Railway President Graham Claytor and Union Pacific Chairman Frank Barnett as management representatives and a number of union officers representing the interests of the labor organizations. Mr. Burke was a member of that committee and Mr. Mahoney acted as labor counsel to the committee. An agreement ultimately was reached and recommended to the Congress which adopted it as Title V of the Regional Rail Reorganization Act.

The protective formula incorporated as Title V of the 3R Act was based upon the type of protection which applied to virtually all of the employees of Penn Central as well as those of the Erie Lackawanna.

Basically the protection would apply to all persons employed by the bankrupt railroads on the effective date of the Act and the date Conrail took over the operation of the bankrupt railroads. This protection would apply until an employee reached age 65. A monthly displacement allowance, separation allowances, moving expense benefits and fringe benefit protections were included in the protections to be afforded the employees. The monthly displacement allowance was to be the difference in an employee's current monthly compensation and that which he received during the 12 months immediately preceding January 1, 1975 in which the employee worked at least 50% of the time. If the employee was furloughed and unable to obtain other employment by the exercise of his seniority rights, he was paid a full monthly displacement allowance or he could accept severance pay if that were offered to him.

The lump sum separation allowance is a protection afforded an employee with three or more years of service who accepts an offer to resign from Conrail or who is required by the carrier to transfer to another part of the system but who elects instead to resign and accept a separation allowance.

The protective formula contained a provision not found in other protective formulae in the industry. It was determined that Conrail should be able to terminate the services of any employee who had less than three years service as of the date of the Act upon payment of a termination allowance which was based upon the employee's length of service. It was felt that this would permit Conrail to lessen its labor burden to a great extent without seriously affecting those employees who had determined upon the railroad industry as a working career. Finally, provision was made for protecting employees against loss in the event they were required to move their residences in order to continue working for Conrail.

The railroad labor organizations recognized that Conrail could not be successful unless they were willing to waive certain contractual rights which they had with the respective bankrupt carriers which would make up Conrail. Therefore, in return for the protection accorded the employees the organizations agreed to such waivers. One of the rights waived involved the restriction on transfers of work between railroads. The employees agreed that work under Conrail could be transferred from one former railroad property to another former railroad property at the discretion of Conrail management. There was also a provision made for the transfer of employees between what had been the properties of different railroads. In return for that major concession and other concessions, it was determined that the employee should receive the protections contained in Title V which I have outlined briefly.

There was no way to determine with any degree of accuracy the cost of the application of Title V until the last employee entitled to protection reached age 65. However, a cost figure for the protective arrangement was set at $250 million. The figure was based generally upon a supposition which did not materialize. The railroad managements had conducted some studies and concluded that the major cost of the Title V would be confined to separation allowances and moving expenses, all to be paid within a relatively short time following Conrail's takeover. As it turned out, however, the largest payments have been made in the form of monthly displacement allowances. Of the $150 million paid out under Title V through September 30, 1978, approximately $108.4 million (72.2%) has been in the form of monthly displacement allowances. At the present time Conrail's employment force numbers about 94,000. Of that number some 80-85,000 are covered by Title V. Approximately 12,000 (about 14%) receive displacement allowances.

In recent months it has become increasingly clear that the $250 million authorized for payment of the employee protective arrangement would not be sufficient to cover the full cost of the application of Title V. There were a number of reasons for the reduced state of the fund at this time. The first of these, of course, is the exceedingly sharp increase in the inflation rate since 1973 which no one could have foreseen. Another significant cause for the reduction of the fund was the variations in operational plans which resulted in more employees accepting displacement allowances and fewer accepting separation allowances than was expected.

We are also informed that the present amount which the Railroad Retirement Board has in its possession is about $1 million. In view of the fact that payments under Title V average approximately $4 million per month, the enactment of the supplemental appropriation of $56.5 million is required immediately in order to keep the fund solvent. As the law now reads of course, Conrail would be required to pay the cost of Title V protection from its general funds if the special fund created for that purpose expires. We believe that the special fund should be kept separate and continue to be administered by the Railroad Retirement Board. We, therefore, urge your approval of the requested supplemental appropriation.

We will also urge consideration by the Congress of providing an additional $15 million to the original $250 million fund in order to enable it to meet its obligations during the present fiscal year and $80 million for the fiscal year ending September 30, 1980; $55 million for the fiscal year ending September 30, 1981; and $50 million for the fiscal year ending September 30, 1982. Our recommendations for legislation to continue the fund is attached to this statement as Appendix A. A bill embodying these recommendations has been introduced in the House as HR 2767 and a similar bill hopefully will soon be introduced in the Senate.

Again I wish to express to you our appreciation for the opportunity to present our views on this important subject. Thank you.

APPENDIX A

A BILL

To Amend The Regional Rail Reorganization Act of 1973.

Be It Enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, That section 509 of the Regional Reorganization Act of 1973 is amended by striking therefrom "the aggregate sum of $250,000,000" and inserting in lieu thereof "the sum of $265,000,000" for the period of April 1, 1976 to September 30, 1979; not to exceed $80,000,000 for the fiscal year ending September 30, 1978; not to exceed $55,000,000 for the fiscal year ending September 30, 1981; and, not to exceed $50,000,000 for the fiscal year ending September 30, 1982.

JOINT STATEMENT OF WILLIAM H. DEMPSEY AND CHARLES I. HOPKINS, JR.

William H. Dempsey is, and since April 1, 1977 has been, the President of the Association of American Railroads. The Association represents almost all of the nation's railroads in a wide variety of matters, including legislative matters, that concern the railroad industry. Charles I. Hopkins, Jr., is the Chairman of the National Railway Labor Conference, succeeding Mr. Dempsey in that position on April 1, 1977. The Conference represents almost all of the nation's railroads in national collective bargaining with the unions representing their employees and in regard to other matters concerning labor-management relations in the railroad industry, including negotiations with the unions in regard to proposed changes in the railroad retirement system. We are making this Statement jointly, on behalf of the railroads, because appropriation by the Congress of the full amount authorized by the Railroad Retirement Act of 1974 to pay the cost of phasing out excess or windfall dual benefits under the existing provisions of that Act is important to the integrity of the collective bargaining process in the railroad industry as well as involving other significant interests of the railroad industry.

The amount authorized by the Congress in the 1974 Act for defraying the costs of phasing out the windfall benefits is $363 million for fiscal year 1980 which is the same amount as was authorized for fiscal year 1979. With respect to fiscal year 1979, however, the budget submitted by OMB on behalf of the Administration called for the appropriation of only $313 million for that purpose, with the shortfall being justified on the ground that the Administration would propose legislation amending the 1974 Act so as to reduce the excess or windfall benefits payable thereunder. While the House Committee on Appropriations recommended and the Congress appropriated only that $313 million amount, the Committee stated in its Report that it was "aware that this appropriation will quite likely have to be increased in future years and expects the Administration to submit a budget request in fiscal year 1980 sufficient to meet the requirements of the Railroad Retirement Act." H. Rep. No. 95-1248, at 101. Nonetheless, the budget request for fiscal 1980 again is restricted to $313 million, which restriction again is sought to be justified by proposed legislation amending the 1974 Act to reduce the windfall benefits payable thereunder, even though that proposed legislation was neither enacted nor seriously considered by the Congress last year and is completely unjustified so that there is no good reason to believe that it will be enacted this year. We submit, therefore, that the time has come for the Administration and the Congress to comply fully with the commitment made when the Railroad Retirement Act of 1974 was enacted. Our reasons for so urging are set forth in more detail below.

Section 15(d) of the Railroad Retirement Act of 1974 (Public Law 93-445) authorizes the appropriation from the General Treasury to the Railroad Retirement Account of the amounts necessary to pay the costs of phasing out excess or windfall dual benefits necessitated by the preservation of vested interests in such benefits as provided in Sections 3(h), 4(e), 4(h), 204(a)(3), 204(a)(4), 206(3) and 207(3) of that Act, subject to a reduction for certain additional interest earned by the Account. Section 15(d) further provides for appropriation of those amounts over a 25-year period, from fiscal 1976 through fiscal 2000, based upon estimates by the Railroad Retirement Board, as revised from time to time, of the amounts necessary to be appropriated each year on a level basis in order to pay the entire cost by fiscal year 2000.

Under the provisions of the 1974 Act providing for such excess or windfall dual benefits, the monthly amount payable to qualified beneficiaries on the rolls as of the January 1, 1975 effective date was calculated as of December 31, 1974 and was frozen as of that date, and thus is not affected by subsequent cost-of-living or other increases in the level of social security benefits. The amount of the excess benefits payable to qualified employees (and their spouses and survivors) who retire after December 31, 1974 is calculated either as of the date they ceased to perform railroad service or as of December 31, 1974 (in general, whichever is later), is adjusted to reflect cost-of-living increases in the level of social security benefits subsequent to December 31, 1974 and prior to the employee's retirement date, and is frozen as of such retirement date.

The current estimate of the Railroad Retirement Board as to the amounts necessary to be appropriated pursuant to Section 15(d) of the 1974 Act, in order to defray the phaseout costs of the excess dual benefits, is $363 million per year over each of the remaining years of the 25-year period ending with fiscal year 2000. The Budget for fiscal year 1980 which has been submitted to the Congress proposes, however, that only $313 million be appropriated for that purpose. The following explanation is given at page 968 of the Appendix to the Budget for Fiscal Year 1980:

> "Payment for windfall benefits.--This is the fifth request for appropriations authorized by the Railroad Retirement Act of 1974 to subsidize 'windfall' benefits received by persons covered by both the railroad retirement system and the social security system.
>
> "Because the social security benefit formula heavily favors persons with short periods of service, low earnings, or both, persons requiring eligibility under both systems generally received a disproportionate benefit.
>
> "The Railroad Retirement Act of 1974 authorizes annual appropriations, on a level cost basis, from 1976 through the year 2000 to subsidize the phaseout of windfall benefits. The amount of the appropriation, under this act is to be reestimated every 3 years, in conjunction with the triennial actuarial evaluation of the railroad retirement system. While the original estimates were for a level amount of $250 million, the 13th actuarial evaluation indicates an amount of $363 million from 1979 onward which was a 45% increase over the original estimate. The administration is proposing legislation for this account to no longer index the initial windfall benefits for workers who retire after June 1979."

As we understand, this proposal contemplates that the entire cost of phasing out excess or windfall dual benefits will be paid out of the General Treasury, in accordance with Section 15(d) of the 1974 Act, but that Sections 3(h), 4(e) and 4(h) of that Act will be amended to reduce the amount of those benefits payable with regard to qualified employees who retire after June 30, 1979, and to their spouses and survivors. The monthly amount of the excess payment no longer would be adjusted or "indexed" to reflect cost-of-living increases in the level of social security benefits between December 31, 1974 and the employee's retirement date, if the employee retires after June 30, 1979, but rather would be adjusted so as to reflect only such increases which occurred between December 31, 1974 and June 30, 1979. Or, in other words, the monthly amount of the excess payment would be frozen as of June 30, 1979 rather than as of the employee's retirement date.

We strongly support the view that the full amounts necessary to pay the costs of phasing out excess dual benefits should be appropriated in accordance with Section 15(d), but we also strongly oppose the view that the Act should be amended so as to reduce the monthly amounts of those benefits payable in regard to qualified employees who retire after June 30, 1979, their spouses and survivors. Therefore, we urge the Congress to appropriate for fiscal 1980 the $363 million that will be necessary, on the basis of current estimates, to pay those phaseout costs if the Act is not so amended. As is explained more fully below, any other course would call upon the Congress partially to abandon the solution to the dual-benefit problem which it overwhelmingly adopted (over the opposition of the Ford Administration and its OMB) in 1974, and thus to breach faith with the railroads and the unions representing their employees who wholeheartedly supported enactment of the 1974 Act and the solution to the dual-benefit problem which it accomplished.

The Railroad Retirement Act of 1974 amended, and in effect replaced, the Railroad Retirement Act of 1937, so as to provide a restructured railroad retirement system on a sound financial basis. The Congress, in 1970 (Public Law 91-377), established a Commission on Railroad Retirement to study the railroad retirement system, which resulted in a Report on June 30, 1972. In 1973 (Public Law 93-69), the Congress directed the railroads and the unions representing their employees to establish a joint committee for the purpose of negotiating and agreeing upon "joint recommendations for restructuring the railroad retirement system in a manner which will assure the long-term actuarial soundness of such system, which recommendations shall take into consideration the specific recommendations of the Commission on Railroad Retirement." The Congress also directed that those joint recommendations by the railroads and unions "shall be specific and shall be presented in the form of a draft bill."

The railroads and the unions did establish a joint committee, and after long and arduous negotiations necessitated by the highly complex and difficult problems involved, they did reach agreement upon joint recommendations which, in 1974, were submitted to the Congress in the form of a draft bill. As Mr. Dempsey, then Chairman of the National Railway Labor Conference, testified in the hearings on that bill before the House Committee on Interstate and Foreign Commerce and the Subcommittee on Railroad Retirement of the Senate Committee on Labor and Public Welfare:

> "As in any negotiations of this sort, concessions were made by each side in recognition of concessions made by the other side. The resulting group of recommendations embodied in the bill, therefore, are interrelated in the sense that, taken together, they represent the parties' views of the most reasonable accommodation of all relevant interests. Consequently, we think it most important that the bill be enacted as a whole without substantive change."

House Hearings, at 165; Senate Hearings, at 336. And, in fact the bill drafted by the railroad-union committee was enacted without any significant substantive change. See H. Rept. No. 91-1345, at 27-28; S. Rept. No. 93-1163, at 26-27.

The Commission on Railroad Retirement, the joint railroad-union committee, and the congressional committees all agreed, in the words of those committees, that: "Resolution of the so-called 'dual benefit' problem is central both to insuring the fiscal soundness of the railroad retirement system and to establishing equitable retirement benefits for all railroad employees." H. Rept. No. 93-1345, at 11; S. Rept. No. 93-1163, at 11. Because of inadequate coordination between the railroad retirement and social security systems, if an employee qualified under both systems, his social security benefits and the portion of his railroad retirement benefits intended to be equivalent to social security were calculated separately, which resulted in composite "social security" benefits substantially greater than the amounts the social security system would have paid upon the basis of combined railroad and non-railroad service. That excess amount sometimes is referred to as a "windfall" dual benefit.

Although that excess essentially was a social security benefit and came about because of the employees' non-railroad service, the entire cost was borne by the Railroad Retirement Account because of the workings of the financial interchange between the railroad retirement and social security systems. This was largely responsible for the financial problems of the railroad retirement system. Thus, the committee reports noted that "this lost reimbursement amounts to 7.72% of taxable payroll, out of a total deficit of 9.05%, or $451 million a year loss out of a total deficit of $529 million," so that "were it not for the problem of dual beneficiaries, the railroad retirement system would be almost completely solvent." H. Rept. No. 93-1345, at 7; S. Rept. No. 93-1163, at 8.

In general, the 1974 Act solved this dual-benefit problem by establishing a "two tier" system in regard to benefits payable after December 31, 1974. Tier I provides for benefits equivalent to what the social security system would pay based upon combined railroad and non-railroad service, while Tier II provides for what is in essence a company pension plan for railroad employees, over and above the social-security level of benefits and based solely on railroad service. By basing the Tier I "social security" benefits on combined railroad and non-railroad service, the prior separate treatment of railroad and non-railroad service for that purpose, and thus the consequent excess or windfall amount, were eliminated.

However, while the Commission on Railroad Retirement had concluded that excess dual benefits are inequitable, "the Commission also was of the view that any plan to eliminate these dual benefits should include protection of the equities of existing beneficiaries and employees with claims upon such benefits." H. Rept. No. 93-1345, at 11; S. Rept. No. 93-1163, at 11. The joint railroad-union committee agreed, but as Mr. Dempsey testified, its "most difficult problem . . . involved the manner in which windfall dual benefits should be phased out on an equitable basis" and the committee "struggled over this problem for months." House Hearings, at 168; Senate Hearings, at 342. That testimony was echoed by the congressional committee reports, which also noted that the "most difficult problem in this regard involves the manner in which dual benefits should be phased out on an equitable basis." H. Rept. No. 93-1345, at 11; S. Rept. No. 93-1163, at 11.

Any solution to that "difficult problem" necessarily involved a degree of arbitrariness, which indeed is why the problem was so difficult. But the solution proposed by the joint railroad-union committee commended itself both to the railroads and unions and to the Congress as the one that seemed the most equitable under all the circumstances. It preserved the excess benefit for retirees who were entitled to both railroad retirement and social security benefits, and for existing employees who qualified under both systems prior to the January 1, 1975 effective date of the new Act. But it froze the amount of that protected benefit as of the time it first became payable under the new Act: as of the effective date in regard to beneficiaries on the rolls and as of the employee's retirement date in regard to active employees. And, those active employees who had not qualified under both systems as of the effective date of the new Act are not entitled to any excess or windfall benefit. See H. Rept. No. 93-1345, at 11-13; S. Rept. No. 93-1163, at 11-13.

This necessarily raised the question of "who should bear the cost of continuing these benefits to persons already retired and those with vested rights protected under the bill . . ." S. Rept. No. 93-1163, at 4. The joint railroad-union committee initially proposed that the cost of phasing out the excess dual benefits be paid out of the social security trust funds, as they were basically a social security benefit, but the Congress concluded that the cost should be borne by the General Treasury. It clearly would be unfair to impose those costs upon current and future employees who "will not (except where vested rights are involved) be permitted to receive dual benefits" upon retirement, or upon the railroads who "had no part in the creation of the current situation," particularly since the excess benefit "arises out of non-railroad employment performed by these individuals -- employment which has not benefitted the railroad industry in any fashion." But, "these costs must be met -- by someone," and payment out of the General Treasury was supported by a prior "precedent" and by the fact that the dual-benefit problem had been brought about by prior congressional action. H. Rept. No. 93-1345, at 4-5 (see, also, 6-7); S. Rept. No. 93-1163, at 4-5 (see, also, 6).

The only significant opposition to this solution of the problem of protecting vested interests in excess dual benefits and of paying for the costs of such protection came from OMB. It urged, among other things, that the Congress "has the responsibility of solving the problems of the Railroad Retirement System without resorting to the inappropriate device of outside subsidies," and that alternative "possibilities should be explored," such as reducing benefits, including "[o]utright termination rather than gradual phaseout" of dual benefits or "[r]estrictions on cost-of-living increases for dual beneficiaries until the windfall element has been absorbed." House Hearings, at 159; generally, at 158-164. See, also, Senate Hearings, at 370-387. The objections and suggestions of OMB were rejected by the congressional committees, and the bill which they reported was approved almost unanimously by the House and Senate. The bill was vetoed by President Ford, primarily because of his objection to payment by the General Treasury of the phaseout costs of dual benefits, but his veto was overridden by votes of 360 to 12 in the House and 72 to 1 in the Senate.

The railroads vehemently oppose any action which would upset the solution to the dual benefit problem which was worked out with so much difficulty and was so overwhelmingly approved by the Congress. Tampering with one element of that solution, such as the provision in regard to adjustment of the windfall benefit to reflect cost-of-living increases prior to retirement or the provision for payment of the full costs of phasing out such benefits from the General Treasury, could open up demands that other -- and more costly -- changes be made. And, none of the relevant circumstances has been changed since the 1974 Act was drafted by the joint railroad-union committee and considered by the Congress. It was as true of the bill then as it is of the Act now that windfall benefits are "indexed" between January 1, 1975 and the date of retirement, and all of the factors that led the Congress to conclude that neither current employees nor the railroads can fairly be expected to pay the costs of phasing out dual benefits continue to exist.

The solution of the dual benefit problem adopted by the 1974

Act is not ideal from the point of view of the railroads or the unions, any more than it is from the point of view of OMB. Among other things, the billions of dollars paid out of the Railroad Retirement Account to finance excess dual benefits prior to the 1974 Act have gone unrecompensed, although those benefits then were essentially a social security benefit just as they are now in the limited phaseout period. But no solution could be reached that would be ideal to everyone, the solution reached obviously was regarded by the Congress as being as fair as is reasonably possible and was supported by both labor and management, and above all that solution did settle a very intractable problem which should not now be reopened.

There is a reason of overriding importance why the Congress should not disregard that solution and should continue to adhere to the principles set forth in the 1974 Act. As we have noted, the restructuring of the railroad retirement system which was accomplished by the 1974 Act evolved out of collective bargaining between the railroad and union members of a joint committee established, at the specific direction of the Congress, for that purpose. In recommending adoption of that legislation, the congressional committees noted their expectation that future changes "will arise out of collective bargaining between the railroads and the unions." H. Rept. No. 93-1345, at 17; S. Rept. No. 93-1163, at 17. This reflects the view, with which we fully concur, that the long-term integrity and solvency of the railroad retirement system can best be protected by the collective bargaining process. We note that representatives of the carriers and of the employees presently are, and for some time have been, bargaining about what recommendations should be made to the Congress for changes in the railroad retirement system.

If the Congress should now override or disregard legislation which it adopted as recently as 1974 in fulfillment of the collective bargaining process, as OMB has proposed, railroad retirement will become subject to the tremendous political pressures that prevailed prior to the 1974 Act, and the discipline and control of collective bargaining will be lost. It will become apparent that future changes in the 1974

Act are not primarily a matter of collective bargaining between the railroads and the unions representing their employees, if a part of the 1974 settlement is rejected by the Congress over the opposition of both the railroads and the unions. This would establish a pattern for treating future collective bargaining settlements as a floor or base from which to exert political influences for changes that disregard the overall interests of the railroad retirement system.

As we understand the Administration's position, it agrees that the Congress should appropriate the amount necessary to fulfill the obligation under the 1974 Act to pay the costs of phasing out excess dual benefits. Its only reason for urging that the Congress appropriate $313 million to meet that obligation for fiscal 1979, rather than the $363 million estimated by the Railroad Retirement Board to be necessary in carrying out its function under the 1974 Act to make such estimates, is that the lesser amount will be sufficient if the Congress amends the 1974 Act to reduce the amount of benefits payable as recommended by the Administration. That is why we have attempted at some length to demonstrate that the amendment of the 1974 Act thus proposed by the Administration should not be adopted by the Congress, even though we realise that the Committee on Appropriations does not have jurisdiction over legislation proposing to amend the substantive provisions of the Railroad Retirement Act. In our view, the reasons against adopting such an amendment to the 1974 Act are so overwhelming that the Administration's suggestion that such an amendment be made provides no justification for refusing to appropriate the full $363 million necessary to meet the obligations imposed by existing law.

The budget for fiscal 1979 contained a similar reduction in the appropriations necessary to defray the costs of excess dual benefits, from $363 million to $313 million, based upon the premise that the Administration was proposing legislation amending the 1974 Act to reduce the amount of those benefits. The committees to which that amendatory legislation was referred did not even hold hearings upon it or, insofar as we are aware, otherwise consider it to be worthy of serious consideration and, of course, no such legislation was reported to or passed by either the House or the

Senate. We have not received any indication that the Administration's legislative proposals in this regard will not be similarly ignored this year. For the reasons we have stated, the railroads are opposed to any such amendment of the 1974 Act and we believe that those reasons will be persuasive with the Congress. In any event, until the 1974 Act is amended, its existing provisions should be effectuated rather than disregarded in the appropriation process. If the 1974 Act should subsequently be amended so as to reduce the excess dual benefits payable thereunder, any consequent reduction in the cost of phasing out those benefits could be reflected in appropriations for future years.

Consequently, the railroads urge this Committee and the Congress to appropriate the full $363 million for fiscal 1980 that is necessary under existing law to pay the cost of phasing out excess dual benefits in accordance with the program adopted by the Congress in the Railroad Retirement Act of 1974.

This concludes our Statement in regard to the appropriation to be made to fund the costs of phasing out excess dual benefits, but there is an additional matter involving the appropriations to the Railroad Retirement Board which is also sufficiently important to the railroads to justify an expression of our views. The Board's expenditures in administering the Railroad Retirement Act and the Railroad Unemployment Insurance Act, and thus the appropriations for that purpose, are a matter of concern to the railroads from at least two aspects.

Under Section 15(a) and (c) of the Railroad Retirement Act, the expenses of the Board in administering that Act are payable out of the Railroad Retirement Account and the Railroad Retirement Supplemental Account; and under Section 11(c) of the Railroad Unemployment Insurance Act, the expenses of the Board in administering that Act are payable out of the Railroad Unemployment Insurance Administration Fund. Since that portion of the railroad retirement tax which is equivalent to the social security tax and is imposed upon both the railroads and their employees (by §§ 3201 and 3221(b) of the Internal Revenue Code) is turned over to the social security trust funds pursuant to the financial interchange between the two systems, the monies in the Railroad Retirement Account essentially are derived from that portion of the railroad retirement tax (9.5% of taxable payroll) in excess of the social security tax which is imposed (by § 3221(a) I.R.C.) on the railroads alone. So, too, the monies in the Railroad Retirement Supplemental Account are derived entirely from a supplemental railroad retirement tax imposed only upon the railroads (by § 3221(c) I.R.C.), and the monies in the Railroad Unemployment Insurance Administration Fund are derived (pursuant to § 11(a) of the RUIA) from contributions paid by the railroads under Section 8 of the Railroad Unemployment Insurance Act.

Since the administrative expenses incurred by the Railroad Retirement Board thus in effect are funded out of taxes paid and contributions made by the railroads, we naturally are concerned that those expenses are not excessive. On the other hand, even from a purely financial point of view, it also is of great importance that the Board's personnel and facilities be sufficient to enable it to carry out its statutory duties in an effective and responsible manner. Otherwise, not only will bona fide payments of railroad retirement, unemployment and sickness benefits be unduly delayed, but also unwarranted claims may be allowed because the Board does not have the staff and facilities necessary for thorough investigation and consideration of the multitudinous applications for benefits which it receives. In short, this is one of those situations in which being "penny wise" may be "pound foolish."

We believe that this is true of the proposed appropriation in the 1980 budget for the Board's administrative expenses. Indeed, we have been concerned that the Board's staff and facilities in the past have not been sufficient to permit it to do an adequate job in policing claims for benefits. Yet, we understand that OMB rejected the Board's request for appropriations that would permit it to expand the staff of its field offices sufficiently to enable the Board to make at least a minimally adequate effort to monitor claims so as to assure the validity of benefits awarded while at the same time providing expeditious service to claimants. We believe that this refusal to strengthen the Board's staff, if not corrected by the Congress, will seriously cripple the ability of the Board to ensure that wrongful claims are rejected as well as its ability to pay rightful claims promptly, and that one result would be a net loss to the railroad retirement and railroad unemployment insurance accounts which are funded by the railroads. Consequently, we urge that the Congress appropriate the full amount for administrative expenses that the Board requested so as to enable it to perform adequately the duties which the Congress has imposed in the Railroad Retirement Act of 1974 and in the Railroad Unemployment Insurance Act.

STATEMENT OF O. M. BERGE

My name is O.M. Berge. I am accompanied today by Mr. J.R. Snyder, the National Legislative Director of the United Transportation Union, and by Edward D. Friedman, the attorney for the Railway Labor Executives' Association.

I am here today as Chairman of the Railroad Retirement Committee of the Railway Labor Executives' Association and as President of the Brotherhood of Maintenance of Way Employes.

The Railway Labor Executives' Association is an association of standard and of international railroad labor organizations, twenty-one in number, whose function is to promote the common interests and welfare of railroad employees and their families. These twenty-one organizations collectively represent virtually all of the organized work force employed by the railroads in this country. I have listed their names in the Appendix, attached to this statement, in accordance with the Senate rules.

As the representative of these employees, it is our responsibility to take all appropriate actions on their behalf to develop and to maintain the integrity and health of the employment structures in the railroad industry. The Railroad Retirement Service is an essential part of the foundation of these structures.

We are here today to again ask this Committee to insure adequate funding of dual benefits under the railroad retirement-social security system within the severe limitations laid down by the 93rd Congress in the 1974 revision of the Railroad Retirement Act.

The Committee will recall that in each of the past two years the Office of Management and Budget proposed substantial underfunding of this part of the program. In 1977, $356 million was needed for adequate funding under the formula laid down by the statute, but OMB proposed and the Congress authorized only $250 million. Last year $363 million was required but OMB proposed only $313 million and again the overall system suffered a substantial shortfall which it cannot afford.

The Committee each time followed the OMB position but in doing so made it clear that full funding would be resumed once

OMB and the General Accounting Office had an opportunity to examine the system to determine the exact dimension of the funding requirements. Each of these agencies has now completed its studies of the program and each study confirms the actuarial assessment made by the Actuarial Advisory Committee of the Railroad Retirement Board in its triennial evaluation of 1976.

The 1977 report by this Committee could not have been more explicit in its assurances that it would not permit the funding delays requested by OMB to endanger the fund in any way. At that time, the Committee in its report (No. 95-[illegible]) said:

> "It is the Committee's view that the 1974 amendments to the Railroad Retirement Act, which passed both Houses of Congress virtually unanimously over a Presidential veto, clearly indicate Congress' commitment to Federal funding of these so-called 'dual benefits' for the classes of employees and retirees which were covered by the 1974 Act. At the time of passage of that Act, the estimated cost of such 'dual benefits' was $250 million a year. The Act further mandated an actuarial study as to the correctness of this cost figure. Since the Administration did not have time, at the time the 1978 budget was presented to Congress, to analyze the actuarial study which was undertaken by the Railroad Retirement Board, we believe that it is appropriate to delay the increase in funding for such benefits for one year in order to give OMB the time to complete its analysis. Such a delay will not in any way endanger the fund nor will the delay have any real effect on the beneficiaries since we expect that whatever additional amount is found to be needed, will be amortized over the entire period and will include the amount which would have been appropriated this year had there been time for OMB to complete its study." (at p.140)

The Office of Management and Budget completed its study well before the 1979 appropriation round. Although it found no defects in the actuarial study reported by the Railroad Retirement Board upon the basis of which the request for $356 million for fiscal 1978 was made, it nonetheless persisted in its program to postpone full funding by proposing a shortfall of $50 million. It rationalized its $313 million request by explaining that it intended to propose legislation to reduce benefits in an amount which would equal the $50 million deficit.

In accepting last year's request to limit the 1979 appropriation to $313 million, the Committee committed itself to a return to full funding at the existing level of the dual benefit if the GAO review should confirm "the financial requirements needed for the phase-out of the dual benefit."

In its report last year (No. 95-1119) the Committee said:

> "The Committee recommends an appropriation of $313,000,000, the same as the President's budget request,...
>
> "Under the Railroad Retirement Act of 1937, an individual engaging in covered employment under both the Railroad Retirement Act and Social Security Act, under certain conditions, could receive benefits under both acts. Recipients of such benefits are referred to as dual beneficiaries. Because the weighting factors inherent in the Social Security benefit formula produce a proportionately higher benefit for low earnings and short-term employees, dual beneficiaries receive a proportionately higher return for thier taxes since in most instances the Social Security coverage is only supplementary to their regular railroad employment. Even though there is a financial interchange arrangement between the Railroad Retirement Board and the Social Security Administration whereby the latter reinsures benefits paid by the Board, the cost of the proportionately higher return is borne solely by the Railroad Retirement Account.
>
> "The Committee is aware that the General Accounting Office is currently conducting a review of the Railroad Retirement Board. Because there is still serious question concerning the financial requirements needed to pay the phase-out of dual benefits, the Committee requests that the General Accounting Office do an independent evaluation. The Committee believes that this is the best approach to determining the soundness of the system and to finding the optimum method of financing the dual benefit payments. The GAO should provide its recommendations to the Committee by January 15, 1979." (at p.138)

The GAO in its report to Chairman Magnuson on January 11, 1979, confirmed the judgment of the Board Actuaries that $313 million was grossly inadequate to meet the financial requirements of the phase-out program. In fact, it calculated that the Board's figure of $363 million was short by more than $50 million. In explanation of its position, it said:

> "In late 1978 we made an actuarial estimate of the level annual appropriation necessary to fund windfall benefits. Our assumptions differed from those in the Board's 13th actuarial valuations in that we used
>
> --actual rather than estimated windfall benefit payments for 1976 and 1977 and appropriations for 1977 through 1979,

> --a 6-1/2-percent rather than a
> 3-percent interest rate,
>
> --newer mortality tables, and
>
> --estimated cost-of-living increases beyond 1980.
>
> "Our estimates show that, using the present funding method, 21 level appropriations of $415 million beginning in 1980 would be needed to pay future windfall benefits and amortize the $748 million (at December 31, 1977) negative balance. This appropriation reflects a reduction of an estimated $10 million a year for interest gained from the liberalized investment rules.
>
> "An alternate method of funding windfall benefits from general revenue appropriations is available. The present method, a series of actuarially calculated level annual payments, could be replaced by a pay-as-you-go cash approach. The latter method would result in slightly higher initial payments. How long this would last depends on the period over which the present negative balance would be amortized. For example, if the debt is amortized through the year 2000, the cash basis appropriation would be less than the actuarially based appropriation beginning in 1983. If the debt is amortized through 2046--the last year in which windfall benefits totaling more than $100,000 would be paid--cash basis appropriations would drop below the $415 million actuarial level in 1982.
>
> "The cash method of funding would eliminate the need for actuarial approximations, with their associated uncertainty, and would result in a slower outflow of general revenue appropriations. That is, instead of windfall benefits being paid off by the year 2000, payments--which would decrease each year --would be made through 2046."

This letter was released to the public in late January of this year with the permission of the Chairman and we have attached its full text as a supplement to this statement.

In its 1980 request, the OMB persists in trying to hold funding to the $313 million level. Its basis this year, as in the past, is that it anticipates that the Congress will adopt its proposal to reduce the level of benefits in sufficient amount to match its $313 million figure, or on its assumptions by about $50 million. Of course, its tailoring of benefits to fit this model falls far short of the $415 million generated by GAO in its study.

We suggest that this is a reckless approach. First it places the cart before the horse. Second it breaks faith with more than one-half million retired as well as active railroad employees who throughout their long working careers have been working and paying taxes in an expectation of earning a railroad retirement annuity supplemented by an old age assistance benefit, however small. Finally OMB speculation on the success of its legislative venture is hardly a basis for continuing underfunding for another year. As the Committee knows, the labor organizations and the railroads together are totally opposed to the OMB benefit reduction proposal. The mechanics for phasing out dual benefits were established in the mark up of the 1974 legislation as an integral part of a broad readjustment of the entire railroad retirement program. There is no justification for second thoughts at this time, some six years later.

We should note that the OMB as an institution apparently is persistent and unyielding in maintaining its position. It stubbornly refuses to accept the judgment of the Congress on this issue expressed in various ways over the past half dozen years. In 1973 it objected strenuously to the dual benefit proposal which was then adopted by the Congress and urged in its stead proposals to reduce or to eliminate these dual benefits-a position which it clings to even at this late date. It persuaded President Ford to veto the 1974 legislation, primarily because of the dual benefit feature, and remains undaunted by the overriding vote of 360 to 12 in the House and 72 to 1 in the Senate.

The time has come to call a halt to this continuous OMB sniping at this benefit which is of such great importance to railroad workers.

Railroad retirement legislation ranks as an area of most vital concern to these men and women. Confidence in the reliability and integrity of the retirement benefit structure will undoubtedly be weakened if OMB should succeed in this six year struggle to undercut this benefit.

We have explained the orgin and nature of this rather technical dual benefit problem in our testimony in earlier years and there appears to be no reason to review it once again at this point in its history. It should be sufficient to point out that this benefit is the product of work and employment taxes paid by and on behalf of employees who were covered by both the railroad retirement system and social security system at different times during their working lives. The decision by the Congress in 1974 to restructure the railroad retirement system by, among other things, the elimination of the dual benefit was prospective in operation only. Thus dual benefits which were vested at the end of 1974 were retained in the form of a benefit (available to eligible spouses and survivors as well as to eligible employees).

The benefit, which perhaps unhappily was given the name "windfall", (even though it was earned and vested as of the end of 1974), remains the target of OMB's continuing attacks. It is based on earnings limited to the period through 1974 and cannot be changed by any earnings after that date. There are cost of living adjustments, as in social security, in the schedules of benefits prior to retirement. Once the employee or his survivors begin to draw down the benefit after retirement or death, the windfall is frozen and is subject to no more adjustments.

The rules for determining eligibility and the formulas for computing benefits are complex and need not be reviewed here.

The object is to maintain faith with those employees, their spouses and widows who relied in good faith on a system which held out to them throughout their working lives that this benefit would be paid to them upon their retirement.

The Congress rejected the OMB proposal to break this faith in 1974 and will again reject it in 1980 whether it is offered in the form of short funding or reduction in benefit levels.

We should again emphasize that this dual benefit is essentially a social security benefit produced by the employee's service with non-railroad employers. The railroad industry has paid more for social security benefits than have the non-railroad employers and should not be expected to make any further contributions in this direction.

Just as OMB proposes undercutting the commitment made by the Congress to these employees, it also proposes to undercut the Railroad Retirement Board by reducing the amount of its request for appropriations covering personnel and other administrative costs.

The Board asked for an appropriation to cover their present complement of 1900 full-time permanent employees and 75 temporary employees. An analysis of the manpower levels in relation to a number of beneficiaries served by the Board demonstrates that it has maintained productivity on a reasonably consistent level through the past years. We are satisfied from our experience with the Board both directly and indirectly through railroad retirement beneficiaries that it is doing its job well despite the fact that its physical plant requires updating. We know it needs new quarters. We also know that it can improve the quality of its services and ultimately reduce cost through the introduction of the newer computer technology. With this as a background, we urge the Committee to restore to it the full amount of its appropriation request.

Thank you very much for your time.

APPENDIX A

1) American Railway Supervisors Association
2) American Train Dispatchers Association
3) Brotherhood of Locomotive Engineers
4) Brotherhood of Maintenance of Way Employes
5) Brotherhood of Railroad Signalmen
6) Brotherhood of Railway Carmen of the United States and Canada
7) Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employes
8) Brotherhood of Sleeping Car Porters
9) Hotel & Restaurant Employes & Bartenders International Union
10) International Association of Machinists and Aerospace Workers
11) International Brotherhood of Boilermakers and Blacksmiths
12) International Brotherhood of Electrical Workers
13) International Brotherhood of Firemen & Oilers
14) International Organization of Masters, Mates & Pilots of America
15) National Marine Engineers' Beneficial Association
16) Railroad Yardmasters of America
17) Railway Employes Department, AFL-CIO
18) Sheet Metal Workers' International Association
19) Seafarers International Union of North America
20) Transport Workers Union of America
21) United Transportation Union

APPENDIX B

B-114817 JANUARY 11, 1979

The Honorable Warren G. Magnuson
Chairman, Committee on Appropriations
United States Senate

Dear Mr. Chairman:

As requested in your Committee's August 16, 1978, report on the appropriation bill for the Departments of Labor and Health, Education, and Welfare and related agencies (No. 95-1119), we reviewed the Railroad Retirement Board's calculations of the annual appropriation necessary to phase out dual railroad retirement and social security benefits (commonly called the windfall appropriation). We independently projected windfall costs and identified alternate methods of financing.

We project (1) an increase of about $2.9 billion in estimated windfall costs above the $7.1 billion originally estimated by the Board's actuary and (2) an increase of about $3.5 billion in general revenue appropriations through the year 2000. Using the present funding method, 21 level annual appropriations of $415 million beginning in 1980 would be needed to pay future windfall benefits. The Board originally estimated an annual general revenue appropriation of $250 million. The windfall appropriations could also be funded on a pay-as-you-go cash basis, which would stretch out payments through the year 2046. A table showing required windfall appropriations under the present and cash basis methods is enclosed.

BACKGROUND

The Railroad Retirement Act of 1974 created the so-called windfall benefits. The act provided that after 1974 individuals could no longer qualify for separate full benefits from the social security and railroad retirement programs that, in total, were larger than the benefits they would have earned had all their earnings been credited to only one program. Individuals entitled to these dual benefits before 1975 became eligible for windfall payments (additional amounts required to make payments equal to the total amount the individuals would receive from full dual benefits based on earnings through 1974 or the last year of railroad employment).

Railroad workers qualify for windfall benefits if, before 1975, they

1. (a) had 10 years of railroad service and were fully insured under the Social Security Act or

   (b) had 10 years of railroad service and their spouses were fully insured under the Social Security Act 1/ and

2. (a) worked in the railroad industry in 1974,

   (b) worked in the industry during 12 of the 30 months preceding December 31, 1974, or their retirement, or

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1/Applicable only to female employees or male employees who were dependent on social security employees.

(c) had 25 years of railroad service.

In addition, persons vested under both acts but not meeting any of the last three requirements receive windfall benefits based on pre-1975 laws and earnings if they were vested under social security before the end of the last year they worked in the railroad industry.

Under certain conditions, spouses and surviving spouses also qualify for windfall benefits.

The amount of the windfall is intended to reflect the excess benefits payable to railroad retirees because their employment was split between railroad and nonrailroad service. To determine the windfall amount, three separate benefits are calculated using the social security benefit formula and counting employment only through December 31, 1974, or through the year the individual last worked for a railroad, if the individual did not have 25 years of service or a current connection. The windfall is equal to the social security formula applied against social security earnings, plus the formula applied against railroad earnings, less the formula applied against combined earnings under both systems. For a nonretired employee, the windfall benefit is increased by automatic cost-of-living increases that occur between December 31, 1974, and the date the employee retires, at which time it will be frozen.

For retired employees receiving annuities at the end of 1974, a windfall benefit was calculated and paid only if the employees were entitled to social security benefits. Their windfall benefits were frozen at that time. For those receiving annuities, but not entitled to social security benefits at the end of 1974, windfall benefits are payable later if they were insured under social security before 1975. Their windfall benefits are computed when the annuitants become entitled to social security benefits. For example, an employee who at December 31, 1974, was not yet 62--and thus, not eligible for social security benefits--but had previously been awarded a regular railroad retirement annuity at age 60, would become eligible for windfall benefits at age 62.

Variations of these calculations are used to compute spouse and surviving spouse windfall benefits.

BOARD ACTUARIAL ESTIMATES

The Railroad Retirement Act of 1974 authorizes level annual appropriations of general revenue from 1976 through 2000 to finance the costs of phasing out the windfall portion of dual benefits. The act also liberalizes the investment rules governing the Railroad Retirement Account and provides that the resulting increase in interest earned be applied against windfall costs. Basically, it grants the Board the authority (1) to make mandatory requests to the Secretary of the Treasury to purchase authorized securities and (2) to determine when and which securities are to be redeemed for benefit payments or for reinvestment.

The original estimate, made in 1974 by the Board's actuaries, was that the windfall benefits would cost $285 million annually over the 25-year period and that $35 million a year would be gained from the new investment provisions. Accordingly, $250 million was requested and appropriated for fiscal year 1976.

The 1974 act also provides that, at the time of each actuarial valuation of the Railroad Retirement Account made before fiscal year 2000, the Board will determine whether the windfall appropriation should be adjusted. Accordingly, an updated projection was published in August 1976 in conjunction with the Board's 13th actuarial valuation. This projection was that the level appropriation starting with fiscal year 1977 should have been $350 million ($360 million gross less $10 million additional investment income). The increase over the original projection was attributed chiefly to three factors. The later projection

--included cost-of-living increases through 1980,

--used a smaller investment offset and interest rate, and

--used better actuarial assumptions and techniques.

Because only $250 million was appropriated for 1977 and 1978, the Board's actuary increased the estimated level appropriation to $363 million starting with fiscal year 1979 to compensate for the $200 million shortage in 1977 and 1978 and the loss of interest on that sum. However, only $313 million was appropriated for fiscal year 1979.

OUR ACTUARIAL ESTIMATES

In late 1978 we made an actuarial estimate of the level annual appropriation necessary to fund windfall benefits. Our assumptions differed from those in the Board's 13th actuarial valuations in that we used

--actual rather than estimated windfall benefit payments for 1976 and 1977 and appropriations for 1977 through 1979,

--a 6-1/2-percent rather than a 3-percent interest rate,

--newer mortality tables, and

--estimated cost-of-living increases beyond 1980.

Our estimates show that, using the present funding method, 21 level appropriations of $415 million beginning in 1980 would be needed to pay future windfall benefits and amortize the $748 million (at December 31, 1977) negative balance. This appropriation reflects a reduction of an estimated $10 million a year for interest gained from the liberalized investment rules.

An alternate method of funding windfall benefits from general revenue appropriations is available. The present method, a series of actuarially calculated level annual payments, could be replaced by a pay-as-you-go cash approach. The latter method would result in slightly higher initial payments. How long this would last depends on the period over which the present negative balance would be amortized. For example, if the debt is amortized through the year 2000, the cash basis appropriation would be less than the actuarially based appropriation beginning in 1983.

WINDFALL APPROPRIATIONS UNDER DIFFERENT FUNDING ALTERNATIVES (note a)

Year	Level appropriation	Projected benefits	Projected benefits plus debt amortization over 21 years (note b)	Projected benefits plus debt amortization over 57 years (note c)
	(millions)			
1980	$424.9	$387.7	$437.7	$425.5
1981	424.9	382.5	432.5	420.3
1982	424.9	375.5	425.5	413.3
1983	424.9	367.3	417.3	405.1
1984	424.9	358.8	408.8	396.6
1985	424.9	349.1	399.1	386.9
1986	424.9	338.7	388.7	376.5
1987	424.9	327.6	377.6	365.4
1988	424.9	316.9	366.9	354.7
1989	424.9	308.7	358.7	346.5
1990	424.9	300.8	350.8	338.6
1991	424.9	291.3	341.3	329.1
1992	424.9	281.3	331.3	319.1
1993	424.9	271.2	321.2	309.0
1994	424.9	260.2	310.2	298.0
1995	424.9	249.5	299.5	287.3
1996	424.9	238.5	288.5	276.3
1997	424.9	227.0	277.0	264.8
1998	424.9	215.5	265.5	253.3
1999	424.9	204.5	254.5	242.3
2000	424.9	194.3	244.3	232.1
2001		183.5	183.5	221.3
2002		172.3	172.3	210.1
2003		161.0	161.0	198.8
2004		150.3	150.3	188.1
2005		139.7	139.7	177.5
2006		128.0	128.0	165.8
2007		116.9	116.9	154.7
2008		106.1	106.1	143.9
2009		95.7	95.7	133.5
2010		84.6	84.6	122.4
2011		75.5	75.5	113.3
2012		67.0	67.0	104.8
2013		59.0	59.0	96.8
2014		51.3	51.3	89.1
2015		44.9	44.9	82.7

Year	Level appropriation	Projected benefits	Projected benefits plus debt amortization over 21 years (note b)	Projected benefits plus debt amortization over 57 years (note c)
		(millions)		
2016		$39.6	$39.6	$77.4
2017		33.8	33.8	71.6
2018		29.0	29.0	66.8
2019		21.9	21.9	59.7
2020		18.8	18.8	56.6
2021		15.8	15.8	53.6
2022		13.7	13.7	51.5
2023		12.1	12.1	49.9
2024		10.1	10.1	47.9
2025		8.5	8.5	46.3
2026		7.1	7.1	44.9
2027		5.8	5.8	43.6
2028		4.5	4.5	42.3
2029		3.8	3.8	41.6
2030		3.5	3.5	41.3
2031		2.8	2.8	40.6
2032		2.1	2.1	39.9
2033		1.7	1.7	39.5
2034		1.3	1.3	39.1
2035		1.0	1.0	38.8
2036		0.7	0.7	38.5
2037		0.5	0.5	38.3
2038		0.4	0.4	38.2
2039		0.3	0.3	38.1
2040		0.2	0.2	38.0
2041		0.1	0.1	37.9
2042		0.1	0.1	37.9
2043		0.1	0.1	37.9
2044		0.1	0.1	37.9
2045		0.1	0.1	37.9
2046		0.1	0.1	37.9

a/Appropriations do not include any reduction from excess interest earned as a result of the change in investment rules.

b/Fiscal years 1980 through 2000.

c/Fiscal years 1980 through 2046.

STATEMENT OF J. R. SNYDER

Mr. SNYDER. Thank you, Mr. Chairman.

Members of the committee, it's a pleasure to be here this morning. I'm Jim Snyder, chairman of the Railway Labor Executives' Association Legislative Committee. And I have on my right here Mr. Ed Freeman, counsel for the RLEA; also, the chairman of the Railroad Retirement, Mr. Ollie Berge.

On my left, Mr. Mahoney, counsel for RLEA; and Mr. Jim Burke, who is vice president, United Transportation Union. And of course, you remember Mr. Dempsey, president of AAR.

With your permission, you've already stated that we can insert our statement in the record.

We come before your committee with two subjects here: Railroad retirement windfall under the Railroad Retirement Act, and also the title V money under the 3R Act, which is recognized as 509 employee protection money for ConRail.

With your permission, we'll let Mr. Dempsey for the carriers just briefly state the purpose of our being here.

STATEMENT OF WILLIAM H. DEMPSEY

Mr. DEMPSEY. Mr. Chairman, I'm going to address myself to the first of those questions that Mr. Snyder averted to, namely the appropriation to take care of the so-called phasing out of so-called windfall dual benefits under the Railroad Retirement Act of 1974. We presented similar testimony last year; and last year the committee, in its report, said that they expected that the administration this year could come forward with recommended appropriations that would cover the entire cost of the phase-out of these windfall dual benefits.

But the administration has not done that, and therefore we are back again on the same subject. And it does seem to us that now is the time for the 1974 Authorization Act to be complied with in terms of appropriations.

In order to indicate to you what this subject's about, I've got to go back a few years to the time that the Railroad Retirement Act of 1974 was enacted.

Senator EAGLETON. 1970-what?

Mr. DEMPSEY. 1974, and describe briefly the nature of the so-called dual benefits.

PRESIDENT'S COMMISSION ON RAILROAD RETIREMENT

Senator EAGLETON. Before we get to 1974, I've been in the Senate now 10½ years almost. Weren't there some previous bail-outs of the railroad retirement system in earlier years?

Mr. DEMPSEY. No. In 1970, I think it was, the Congress appointed the President's Commission on Railroad Retirement because it knew that the fund was in trouble. The Commission reported, I think in 1972, and indeed, the fund was in difficulty. The Congress then directed the unions and management to negotiate toward an agreed-upon resolution of the difficulty, and to report to the Congress the results of those negotiations.

The parties engaged in extensive negotiations. They did finally resolve their difficulties and made their report to the Congress in the form of a proposed bill.

Senator EAGLETON. What year was that?

Mr. DEMPSEY. That bill was enacted in 1974.

1974 LEGISLATION

Senator EAGLETON. So the major piece of legislation of recent times is 1974?

Mr. DEMPSEY. That's right. It completely restructured the railroad retirement system. It had a number of very important and very complex provisions. For present purposes, the only one that is important is the provision relating to so-called dual benefits.

Senator EAGLETON. You say at present the only one that is important. Were there other provisions that imposed monetary requirements on the Federal Government?

Mr. DEMPSEY. This is the only one.

Senator EAGLETON. Well then, give me the gist of what that bill did.

Mr. DEMPSEY. The dual benefits phenomenon resulted in a lack of coordination between the social security system and the railroad retirement system, with the result that a person could earn a railroad retirement benefit and a social security benefit that, combined, would be larger than the social security benefit he would have earned had his railroad and outside earnings been pooled under the regular social security form.

The excess, the additional amount that he earned by virtue of that lack of coordination, was called the windfall. It was agreed by everyone that the dual benefit was the principal cause for the difficulty that the railroad retirement system was encountering.

Senator EAGLETON. But not the so-called——

Mr. DEMPSEY. Out of a deficit of about 9 percent, the dual benefit accounted for about 7 percent. So——

Senator EAGLETON. It would have been in some trouble even absent the dual benefit?

Mr. DEMPSEY. It would have been in some trouble even absent the dual benefit.

RATIO OF RAILROAD EMPLOYEES TO RETIREES

Senator EAGLETON. By the way, are the statistics, the trendline statistics, still as they were? That is, is there still a diminishing number of railroad employees and an increase in the number of retirees that live longer through the genius of medical science?

Mr. DEMPSEY. Yes, essentially, although the employment figures have stabilized. They're holding their own. Still, the relation as to the number of retirees, that is adverse.

Senator EAGLETON. What's the ratio of the number of active workers providing benefits for retirees?

Mr. DEMPSEY. About half a million active workers. The number or retirees, I'm not sure.

Senator EAGLETON. Do you know the ratio? I'm talking about, for instance, social security, when it started off in the 1930's, something like six American working men and women were paying for the benefits of one retiree. Then that slipped to five, then to four. The actuarial projections say in the next decade or so it'll be down to three.

Mr. **FREEMAN**. One to one.

Senator **EAGLETON**. A one-to-one system is actuarially untenable.

Mr. **DEMPSEY**. It's certainly a very difficult one to maintain; no question about that.

But now, under tier 1——

Senator **EAGLETON**. I raise this because I think the whole system of pensions and retirement plans met, you said, grave difficulty, both public and private. I got interested in all of this at the time of New York's dilemma. And you had 20-and-out retirement systems in New York, situations where your pension was computed on two-thirds of the highest year's salary. And then, in the last year of service, they permitted the worker to work time and a half. So you'd compute two-thirds of 150 percent and you had a situation where retirees were almost making more in retirement than they made in their 19th year of service. And that was the most glaring retirement thing that I knew of.

We have a similar situation in the District of Columbia: Totally unfunded pension systems for the policemen and the firemen. Then I started working in private pension systems. They're a bit better, but some of the systems are in very precarious actuarial shape.

I think within my lifetime we're going to get to some situations where there will be defaults on pension systems and reductions of benefits, which will be a very nasty thing when we get to it.

But go ahead.

INTEGRATION OF RAILROAD RETIREMENT AND SOCIAL SECURITY

Mr. **DEMPSEY**. In that connection, I would say part of the 1974 legislation was to integrate social security and railroad retirement so that now the so-called social security component of railroad retirement or tier 1 is pooled with all of the rest of it.

Senator **EAGLETON**. Is that just applying to new hires?

Mr. **DEMPSEY**. No, it applies to all the employees. The problem, the dual benefit problem, was really how to phase out these benefits. Everyone agreed that they were the result of legislative accidents, so to speak. But what to do about existing employees who had qualified for dual benefits and either were on the rolls and had vested already and would be on the rolls?

The Railroad Retirement Commission recommended that those people who had already vested under both railroad retirement and social security should be protected. And the parties ultimately recommended to Congress that that be done.

What happened then was the Congress agreed. These people who had vested—that is, 10 years service on the railroad retirement and enough on the social security—would receive a dual benefit upon their retirement. When they retired, the amount of that dual benefit or the amount of the excess, the windfall component of that dual benefit, would be frozen, not subject to further cost of living increases. Until they were required, they would continue to get cost of living adjustments in their potential benefit, and those people on the rolls who were receiving dual benefit would have that benefit frozen as of the time of passage of the act.

The question was then funding. The railroads said in effect: It's not our fault. We oppose dual benefit. From the onset, the Congress fastened them upon us and no one in the industry has to bear that kind of cost.

The Congress agreed. The unions said: Well, we can't take it from the employees because the employees will no longer be able to qualify for dual benefit. That would be unfair. The Congress agreed.

The parties recommended that it be taken from the social security fund, because essentially it comes about by virtue of nonrailroad social security service. But the Congress decided to take it from the general fund. So the act provides that the cost of phasing out the dual benefits and of protecting these vested employees will be paid for from the general fund over a 25-year period at amounts that will be allocated every 3 years on the basis of estimates made by the Railroad Retirement Board actuaries.

The amount that is now estimated by the Railroad Retirement Board to be necessary on a level basis is $363 million a year.

ACTUARIAL PROJECTIONS

Senator EAGLETON. Was the original actuarial estimate back in 1974 or thereabouts, $250 million?

Mr. DEMPSEY. Yes, that's right.

Senator EAGLETON. Have we received an accurate actuarial estimate on this entire subject matter at any time?

Mr. DEMPSEY. I have to say that we are gravely disappointed by the actuarial projections made by the Board at that time.

Senator EAGLETON. Congress was assured—I remember the debate—was assured positively, categorically, beyond any shadow of a doubt, that $250 million was the absolute maximum exposure of this account. This was a blood oath.

Mr. DEMPSEY. I'm sorry, but——

Senator EAGLETON. It involves a great deal of difficulty enacting a $250 million figure.

Mr. DEMPSEY. It was a substantial amount, but I believe the record will not indicate that there was that kind of categorical assurance.

Senator EAGLETON. It was in front of the committee.

Mr. DEMPSEY. Certainly not by the parties. The actuary, as I recall, didn't testify. Of course, the Congress could have put a cap on it, but it didn't.

It seems to me that the Congress recommended a package goal scheme. However, there was a contrary view in the Congress to the effect that it ought to be a level amount and not ballooned in the first year. So therefore, the idea of making it level.

It was clear, it seems to me, that no one could predict with complete accuracy, because that's the mechanism that was established. That is, a revision every 3 years.

Senator EAGLETON. I think there's been no area where there has been a more grievous misestimate in terms of actuarial projections than in the case of the railroad retirement fund. I'm not pinpointing solely 1974.

There used to be a subcommittee of the Labor-Public Welfare Committee on Railroad Retirement. I was the chairman of that the first 2 years I was in the Senate. We used to get actuarial estimates from the Board itself and from outside parties.

I can't recall specifically the ones we got from the railroad industry. I'm sure we had some from there, and the actuarial estimates were just dead wrong.

Mr. DEMPSEY. I don't disagree with that, and we were so disappointed by the inaccuracy of the estimates that we put in place our own machinery for making estimates. Up until this occasion, we'd relied entirely upon the estimates of the Board.

In any case, what's happened now has been that the administration for the last 2 years has recommended appropriations not at the $363 million level, but at a $313 million level.

OFFSETTING CUTS

Senator EAGLETON. All right. Now, if we go the $363 million, since we're going to try to bring in the budget at the President's figures, where do you want us to take the other $50 million? What other part of the Labor budget should we cut by $50 million in order to increase this?

I will ask that question of every witness today. Start rummaging through the budget. If any of you are here to testify for increased funds—I assume most of you here will testify to cut the budget. But if any of you are going to be asking to increase funds, please tell us where in the Labor Department budget you want us to draw down the funds. Because we're going to come in with a figure that is at the President's gross level. So I've got nowhere to take it from.

So you tell us, Mr. Dempsey.

Mr. DEMPSEY. I'm not in a position to do that. I'd ask it to be taken out of there.

REDUCTION OF BENEFITS

All this time, the justification offered by the administration or the basis offered by the administration for the figure that they're coming in with, $313 million, is the same that they offered last year. That is, they would propose legislation to cut the benefits.

The way they would like to cut the benefits, as I understand it from the budget, is to say, for the man who is not yet retired, to freeze the amount of his dual benefit as of the date of enactment of the proposed legislation, so that he would not receive any cost-of-living adjustments in that benefit up until the time he retires.

That kind of legislation was introduced last year. It gained all kinds of support. No hearings were held on it, and we see no reason to believe that its fate will be any different this year.

Beyond that, I would say that it is not justified. The disposition of the dual benefit problem is very complicated, one that engaged the attention and the energies of the parties for a prolonged period of time. And it seems to me, speaking on behalf of management, that if these benefits were to be reduced in the wake of a bill that had the support of both labor and management, that involved a reduction of benefits and sacrifices on the part of both labor and management, that it would be breaking faith with the parties.

Beyond that, I'll say that it would be a severe blow to the collective bargaining process. The Congress said to the parties: Bargain this out. They did. The Congress then accepted the results of that bargaining. And to go back and unravel that now, it seems to me, would jeopardize any future bargaining between the parties, because it would be known that the results of that negotiation, even if accepted by the Congress, would then be subject to later unraveling by the Congress with the benefit of hindsight.

So that, of course, if this legislation is introduced and if it passes, there is nothing at all then to stop the Congress, as it obviously would, from decreasing the appropriations in future years to whatever level is appropriate in the wake of that legislation.

That's the substance of our position on it, Mr. Chairman.

Senator EAGLETON. Thank you, Mr. Dempsey.

Mr. SNYDER. Thank you, Mr. Dempsey. Mr. Berge.

STATEMENT OF O. M. BERGE

Mr. BERGE. Mr. Chairman, my name is Ollie Berge, and I'm here today as the chairman of the railroad retirement committee for the Railroad Laborers Executive Association, as well as the president of the Brotherhood of Maintenance of Way Employees.

In interest to your request that we be brief and after listening to Mr. Dempsey's testimony, I find that it is substantially the same testimony that I had intended to present today. And so I know you have a heavy day ahead of you.

Senator EAGLETON. Go ahead. We're not trying to rush you that much.

DUAL BENEFIT ISSUE

Mr. BERGE. Our views on the dual benefit issue are substantially the same as Mr. Dempsey, and we agree with his testimony in total.

Senator EAGLETON. Do you have any recommendation to us as to where to cut?

Mr. BERGE. Beg your pardon?

Senator EAGLETON. Do you have any recommendation to us as to where to cut the Labor Department budget to find that $50 million?

Mr. FREEMAN. Might I answer that? I think this is a somewhat different posture from the ordinary request here. The Congress of 1974 made an absolute commitment.

OFFSETTING REDUCTIONS

Senator EAGLETON. Every witness that I've heard at all the appropriations hearings tells me that their request for additional money—not just this budget—everybody tells me that their request is different. We have a gentleman's oath to bring in the budget figures at or below the

President's figures. So, I've got to find $50 million somewhere else for this.

Mr. FREEMAN. That may be a point. The point is, I know it is important, but the point I have in mind is that this is not a discretionary account as we understand it.

Senator EAGLETON. It's discretionary whether we add another $50 million.

Mr. FREEMAN. The legislation established that the moneys to maintain this fund, this account, were to come out of the general fund.

Senator EAGLETON. That's reappropriated.

Mr. FREEMAN. The point is, if they don't come out of there, they have to come out of the railroad retirement fund, and they can't sustain this burden.

Senator EAGLETON. We performed this discretionary act. It's our act that decides whether to add this additional $50 million or not. If we add it, we've got to take it from somewhere else.

Mr. FREEMAN. Well, the railroad retirement appropriations are pretty thin appropriations, Senator. I'm just thinking——

Senator EAGLETON. See, all these $50 millions accumulate. Every group again comes in to see me. I've got a couple of billion dollar requests coming in. Some are just small, little requests of $100 or $200 million, and each one tells me theirs is a good request. And I believe it. I believe this is a good request. I've got to find someplace else to take this money.

I've got to find $50 million. I need help.

Mr. FREEMAN. Well, this, as Mr. Dempsey has said, this item is one of the lynchpins in the entire sector of the complicated and very complex Railroad Retirement Act, one of the most complicated pieces of legislation that Congress has enacted along with some tax bills. This is one of the lynchpins.

If this pin comes loose, the system is going to sink. It's a critical problem. This committee last year and the year before, both the committees committed themselves to full funding in last year's reports. I said there could be full funding once the GAO confirms these estimates by the actuarial board. We're committed to full funding. We want to let the GAO check it out.

STUDY OF RAILROAD RETIREMENT BOARD PROCEDURES

They're investigating. They're conducting the study of the procedures of the Railroad Retirement Board of the actuary's method.

And if they confirm the actuary's method, we'll give you the full funding the year before. The point was, the new administration did not have an opportunity to look into the Railroad Retirement Act. They had just taken office. In your report, Senator Eagleton, you said that we have to give them a year to do this. We're going to assure you that we're going to live up to our obligation to fully fund this act.

To the extent there's any deficit, we'll make that up. In the long run, it's that kind of a problem. As long as this has come up——

Senator EAGLETON. I understand the problem. Do you understand our problem?

Mr. FREEMAN. I certainly do. I know exactly what you're talking about. We all know that. But this is a special breed of cat, I think, and I know that you'll say that every cat is a special breed.

NATIONAL CANCER INSTITUTE REQUEST

Senator EAGLETON. The National Cancer Institute people came in to see me. There's no word in the American dictionary that frightens people more than a word like cancer. Every family in America has been touched by it, neighbors, relatives, friends, fellow workers, or what have you.

They tell me unless they get another $100 or $200 million—I can't recall what figure they were requesting—but they say there will be no breakthrough in cancer research. And if we give them another $100 or $200 million, they can save many hundreds and thousands of lives.

I asked them: Where are we going to find the money? What other institutes do they want me to cut? All they told me was, well, they need theirs, and let each institute sort of fight for itself.

We've got to find, if we add more money to one thing, we've got to take it away from something else. And this committee wants guidance as to where to take it.

But go ahead.

Mr. BERGE. As I said, the testimony that I was prepared to present is essentially the same that Mr. Dempsey presented, and I don't want to ask you to listen to the same comments twice.

And again, to emphasize our views on the dual benefits are precisely the same as those stated by Mr. Dempsey. Thank you.

Senator EAGLETON. Thank you, Mr. Berge.

CONRAIL 509 FUND

Mr. SNYDER. Mr. Chairman, that concludes our comments on railroad retirement. We do have just a very brief presentation on the ConRail 509 fund. And with your permission, Mr. Mahoney will speak to that.

Senator EAGLETON. Are you asking for more money too?

Mr. SNYDER. We've got a supplemental appropriation and an authorization coming up. I'll let Mr. Mahoney just briefly outline it for you.

Senator EAGLETON. Yes, sir. Go ahead.

STATEMENT OF MR. MAHONEY

Mr. MAHONEY. Mr. Chairman, as you recall, in 1972 when this legislation was before the Congress, Penn Central was collapsing and the whole Northeast seemed to be in collapse, and the railroad system was in collapse.

So ConRail was created by the Regional Railroad Reorganization Act. And as part of ConRail, we had title V which was a labor protective provision which was negotiated by labor and management at the suggestion of then Secretary of Transportation Brinegar.

It was recommended to the Congress and Congress adopted it without change. It was decided as the result of a study made by several of the railroads that the overall cost of this would be approximately $250 million based upon, of course, the level of the value of the dollar in 1972.

And it was also based upon an assumption that some—well, I'd say most of the people would sever out. They'd take a severance pay, and this would not be an ongoing thing for very long.

As it turned out, of course, we had inflation, and over 70 percent of the people did not sever out. They took their options due to variations in the operating schemes that were put into effect by ConRail management. They stayed on and they got these monthly allowances, which are the difference between what they are currently earning in a given month and what they were earning in an average of the 12 months preceding January 1, 1975.

PERCENT SEVERING OUT

Senator EAGLETON. You said that 70 percent were severing out?

Mr. MAHONEY. The estimate was the majority would sever out.

Senator EAGLETON. What did the facts in real life turn out to be? How far off were we or you or whoever in their estimates?

Mr. MAHONEY. They were out considerably because about 72 percent stayed on with monthly displacement allowances. They did not sever out. Of the group that is now working, the number of employees has shrunk on those five or six railroads that became ConRail from approximately 104,000 or 105,000 back in 1972 down to 80,000 or 85,000 protected employees.

Today there are about 95 on the system. It's down to about 80,000 or 85,000 on the protected system. About 12,000 actually make applications for monthly displacement allowances, and of that 12,000 approximately——

MONTHLY DISPLACEMENT ALLOWANCE

Senator EAGLETON. What's a monthly displacement allowance?

Mr. MAHONEY. This is a claim for a difference between what they are earning and what they earned in 1974 in an ample month. And that was the attest put into the statute.

Senator EAGLETON. Adjusted for inflation?

Mr. MAHONEY. Adjusted for subsequent general wage increases, virtually the same thing. Railroad employees feel they're behind the inflation rate on that. That was the idea. So because of that more money has been spent, so that at the present time of the $250 million, all but $56.5 million has been appropriated.

The Railroad Retirement Board was set up as the administrator of the fund. That's all they are, and that's why we're here under the circumstances of the Railroad Retirement Board, which is bound to have about $1.5 million cash left in the moneys that have been appropriated.

They of course need——

INCREASED RESOURCES REQUIRED

Senator EAGLETON. Is this a one shot $56 million?

Mr. MAHONEY. It's $56 million to complete the $250 million originally authorized in the Regional Rail Act of 1973.

Senator EAGLETON. In the years ahead are you going to need more money?

Mr. MAHONEY. Yes, sir. It is estimated on the basis of today that this fund is $250 million—will not last the fiscal year until September 30, 1979. And the reasons for that are the reasons I gave you, plus another reason, which was a benefit both to the carrier and ConRail.

And that is an agreement which will cost in severance pay upward of $30 or $40 million which would have to come out of this fund.

I'd like to add, Senator, that under the law if the fund runs dry ConRail must continue to pay the protective allowances out of this general fund. And rather than keep the fund separate, it shouldn't be in that fund. It should be separate and administered by the Railroad Retirement Board.

We have attached to our prepared—Mr. Snyder's prepared testimony a suggested amendment which would increase the present authorization to $265 million from the $250 million which we would think would cover this fiscal year and then additional funds for the next 3 fiscal years.

Senator EAGLETON. What's the anticipated exposure for the next 3 fiscal years?

Mr. MAHONEY. The $185 million plus the $15 million for this year, $200 million.

Senator EAGLETON. Another $200 million for the next 3 years?

Mr. MAHONEY. Yes, sir.

Senator EAGLETON. What about the 3 years after that?

Mr. MAHONEY. I honestly don't know at this time what it will be. There has been an estimate.

FEDERAL FUNDING OF CONRAIL

Senator EAGLETON. By the way, this amount—and this subject matter we're talking about is by no means the entirety of the Federal Government's monetary input into ConRail—this is just a small bit of a big puzzle; is that right?

Mr. MAHONEY. That is right. That is correct.

Senator EAGLETON. How much trackage has been abandoned compared with the old system, pre-ConRail?

Mr. SNYDER. We could furnish the committee with those figures. I think it's 15,000 or so miles.

Senator EAGLETON. 15,000?

Mr. Snyder. Somewhere in that ballpark.

Senator Eagleton. Is it a significant factor in the financial disability of ConRail, the fact that you render service on lines and areas that can't justify the service, can't financially carry the burden?

Mr. Mahoney. I suppose that would be true of any railroad. There are some lines like that, but ConRail's big problem is when it took over, it took over virtually a corporation. It had very little motive power. It had been let go to pieces. It needed substantial rearrangement because the tracks had separated right under its own weight, that sort of thing, which was virtually impossible.

You start from below scratch to try to put a railroad together so it's a tremendous burden on any management to try to do something with a thing like that.

Senator Eagleton. What's the amount? Do you gentlemen know the amount of the transportation budget that's pumped into ConRail every year? Do you have a gross figure?

Mr. Mahoney. The transportation budget on ConRail, on all railroads, we have the figure. We'll give it to you precisely. I'm going on memory now. Maybe Mr. Dempsey can recall better than I. It's somewhere in the overall transportation budget, somewhere around 8 percent; not to ConRail. I'm talking about all railroads; Amtrak gets about 2 percent and 4 percent, and then there's—it has been reduced this year by 28 percent while all transportation has been increased by 6 percent.

The railroad's share of that has been reduced by 28 percent; is that correct?

Mr. Dempsey. I'm not sure.

Senator Burdick. It's kind of history repeating itself. You said you were chairman of the subcommittee once?

Senator Eagleton. On railroad retirement.

Senator Burdick. When was that?

Senator Eagleton. 1969, 1970.

ACTUARIAL FIGURES

Senator Burdick. Each time weren't we told these were the final figures? I'm concerned why actuarial figures don't figure more than they do.

Mr. Dempsey. So far as the railroad retirement estimates are concerned, we wouldn't be able to supply the answer because it is not our actuaries that provided the figures. The Government actually did.

Senator Burdick. This is based upon Government actuarial figures?

Senator Eagleton. I guess so. We've got miscalculators as good as theirs. [Laughter.]

Senator Burdick. Just the observation, that's all.

Senator Eagleton. Thank you, gentlemen, very much.

Mr. Snyder. Thank you.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

STATEMENTS OF:

JOHN WEINTRAUB, ASSOCIATE DIRECTOR, NATIONAL ASSOCIATION OF COUNTIES

MARY G. GARVIN, DIRECTOR, WOMEN IN APPRENTICESHIP PROJECT

SALLY MARTINO FISHER, NATIONAL CONGRESS OF NEIGHBORHOOD WOMEN

JOHN W. PERRITT, MAYOR, RUSTON, LA.

SHELDON SAMUELS, AFL-CIO, DIRECTOR OF HEALTH, SAFETY, AND ENVIRONMENT, INDUSTRIAL UNION DEPARTMENT

PHILIP J. DAUGHERTY, LEGAL REPRESENTATIVE

Senator EAGLETON. All right. We'll have the panel on the topic of CETA, and we have from AFL-CIO Mr. Sheldon Samuels; National Association of Counties, Mr. John Weintraub; Women in Apprenticeship Project, Mary Garvin; American Association of Small Cities, John Perritt.

Are all those folks with us? I don't see anybody that looks like Mary Garvin.

STATEMENT OF SHELDON SAMUELS

Mr. SAMUELS. Thank you, Senator. Mr. Chairman, Senator, I've come on the right day for two reasons: One, my presentation will take just a few minutes, and the rest of the material has been submitted for the record; and secondly, we're not asking for any more money.

Senator EAGLETON. Good.

Mr. SAMUELS. A detailed analysis and recommendations on the budgets of OSHA and related agencies will be filed for your consideration by the AFL-CIO.

THE HEALTH OF WORKERS

My purpose today is to focus on those HEW agencies that impact or should impact on the health of workers. In this regard we are not seeking additional funds for these agencies.

We are seeking your assistance through the language of the committee report in the redirection of budgeted funds.

Through the years the Appropriations Committees of the House and Senate have been instrumental in modification of program directions that have made these agencies substantially more responsive to the needs of working men and women. We must ask you to continue this effort.

In the past, congressional reports have been a primary tool in successfully creating an enlarged and increasingly effective focus on work related cancer and its control in the National Cancer Institute.

When Secretary Califano initiated his asbestos alert, the first such national alert ever issued by any government on an occupational hazard in the entire history of public health, the credit should have been shared with the legislative branch. Through your intervention, the necessary NIH research was funded and the necessary action was demanded.

Your continuing support for these activities is necessary, but asbestos induced cancer is not our only problem.

Work related heart disease and neuromusculoskeletal disorders are as important as cancer, yet they have been given little attention, consciously, by our health programs.

SMOKING

Smoking is a critical public health problem and we share Secretary Califano's concern. There are specialized agencies to deal with the problem, making superfluous and inappropriate the approximately $1 million being budgeted for NIOSH in this area. We request instead that these moneys be reprogramed into critical areas the agency has been forced to neglect.

REDUCTION OF CHLOROFLUOROMETHANE

I serve on the congressionally mandated NAS committee on alternatives for the reduction of chlorofluoromethane emissions. Although the work of the committee has just begun, I can testify to the fact that the assessment of these alternatives will be hampered by the scarcity of human and animal data on the long term effects of these compounds.

EDUCATIONAL RESOURCE CENTERS OF NIOSH

The observation of clinicians that these chemicals affect the heart and nerves at high doses needs to be supplemented by studies of the effects of low dose. NIOSH and the national toxicology program have this responsibility, a responsibility of a higher priority for these programs than further research on smoking. The shortage of scientists for this work is best addressed by mandating the completion of the NIOSH network of educational resource centers. Of the 14 centers, not 1 is located in the Deep South.

PHYSICAL DESIGN OF THE WORKPLACE

Chemicals are not the only source of heart and nerve damage. The physical design of the workplace is another consideration largely ignored by the program planners. A million dollars could fruitfully be spent by NIOSH in this area alone.

NATIONAL HEART, LUNG, AND BLOOD INSTITUTE

NIOSH is not the only agency with responsibility in this area. The National Heart, Lung, and Blood Institute, of the thousands of projects they fund, is funding a few dozen studies directly relevant to our environmental concerns.

We were depressed to learn, for example, that NHLBI has launched a massive high blood pressure educational program in collaboration with Merck and Co. Not a single word on the need to control occupational factors in hypertension is expended in this effort.

In support of this statement, I am enclosing a study done for us by Dr. Kenneth Rosenman, an article by Rubber Workers President Peter Bommarito, and an article on relevant social security disability payments.

Since the OSHA budget probably will become the focus of a debate on the effectiveness of this embattled agency, I am attaching a factsheet on the agency for the record.

Thank you, Mr. Chairman, Senator.

Senator EAGLETON. Thank you, Mr. Sheldon.

[The statement and attachments follow:]

STATEMENT OF SHELDON W. SAMUELS

A detailed analysis and recommendations on the budgets of OSHA and related agencies will be filed for your consideration by the AFL-CIO.

My purpose today is to focus on those HEW agencies that impact or should impact on the health of workers. In this regard we are not seeking additional funds for these agencies.

We are seeking your assistance - through the language of the Committee report - in the redirection of budgeted funds.

Through the years the Appropriations Committees of the House and Senate have been instrumental in modification of program directions that have made these agencies substantially more responsive to the needs of working men and women. We must ask you to continue this effort.

In the past, Congressional reports have been a primary tool in successfully creating an enlarged and increasingly effective focus on work-related cancer and its control in the National Cancer Institute.

When Secretary Califano initiated his asbestos alert - the first such national alert ever issued by any government on an occupational hazard in the entire history of public health - the credit should have been shared with the legislative branch. Through your intervention the necessary NIH research was funded and the necessary action was demanded.

Your continuing support for these activities is necessary, but asbestos-induced cancer is not our only problem.

Work-related heart disease and neuromusculoskeletal disorders are as important as cancer, yet they have been given little attention, consciously, by our health programs.

Smoking is a critical public health problem and we share Secretary Califano's concern. There are specialized agencies to deal with the problem, making superfluous and inappropriate the approximately $1 million being budgeted for NIOSH in this area. We request, instead, that these monies be reprogrammed into critical areas the agency has been forced to neglect.

I serve on the Congressionally-mandated NAS committee on alternatives for the reduction of chlorofluoromethane emissions. Although the work of the committee has just begun, I can testify to the fact that the assessment of these alternatives will be hampered by the scarcity of human and animal data on the long-term effects of these compounds.

The observation of clinicians that these chemicals affect the heart and nerves at high doses needs to be supplemented by studies of the effects of low-dose. NIOSH and the National Toxicology Program have this responsibility, a responsibility of a higher priority (for these programs) than further research on smoking. The shortage of scientists for this work is best addressed by mandating the completion of the NIOSH network of educational resource centers. Of the fourteen centers, not one is located in the Deep South.

Chemicals are not the only source of heart and nerve damage. The physical design of the workplace is another consideration largely ignored by the program planners. A million dollars could fruitfully be spent by NIOSH in this area alone.

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HONEST ANSWERS TO FREQUENT QUESTIONS ABOUT OSHA

Is it true that statistics show OSHA has failed?

Just the opposite. The pressure to exempt small business from OSHA inspection has created a tragic human experiment. Employer-reported fatalities (accidents) in OSHA-covered industries doubled (962 to 1926) in businesses with 19 or fewer employees from 1976 to 1977! Despite increasing inexperience in our workforce resulting from a rapid decrease (10%) in employment of workers ages 55-64 (in part because of increasing disability), employer reports of injuries among full-time workers show a 14% decrease from 1972 (the first full year of OSHA) to 1977.

Reduced Disease Expected:

In part because it takes 10 to 50 years for most occupational disease to appear after the beginning of exposure, it is difficult to measure the effect of OSHA on health. As a result of past exposures, as much as 20 to 40% of all cancers that occur now and in the next several decades is attributable to occupational factors (75,000 to 180,000 annual cases). Current regulations (some are still being litigated) control exposure of perhaps ten million workers to asbestos and 20 other cancer-causing agents with up-dated standards. As health inspections increase, these exposures are being reduced and the number of occupationally-attributed cancers can be expected to drop a generation from now.

Obsolescent standards provide reduced protection from about 500 other toxic chemicals and physical agents (many also are carcinogens). Slowed by increasing barriers to regulation, OSHA (with assistance from NIOSH) is upgrading these regulations and proposing standards for unregulated chemicals. Two new regulations for non-carcinogenic agents of occupational disease, lead and cotton dust, will control exposure to two million workers when the standards work their way through the courts.

The OSHAct "Works":

The small number of fatal accidents reported to OSHA by covered employers do not, of course, reflect the total number of deaths that are job-related. In 1972 HEW estimated 100,000 deaths from occupational disease. Estimates of the current disease and death rate would be substantially greater. They are, however, an index of what is occurring and the effectiveness of OSHA to stem the deaths from disease and injury. The fluctuations in this index are consistent with our belief that OSHA is an effective law and can be effectively administered.

Is there a need to inspect small business?

More than 11 million workers are employed in 3.3 million businesses with 10 or fewer employees. Most of these businesses - small low risk operations - are never inspected. In repair shops in 1977 only 259 inspections took place on a random basis and 804 inspections took place as a result of deaths or complaints. Fines were levied in only 1/3 of the cases. High risk small operations have the same or greater risk as large high risk operations. An exact assessment is impossible because small employers are exempt from the same recordkeeping requirements as large employers. But because of the lack of expertise and outside help, conditions are believed to be worse in these small shops than in comparable operations of large employers.

Aren't OSHA regulations too detailed?

Most OSHA regulations are the codified safety practices current in industry as determined by associations representing the large employers called "voluntary consensus standards organizations." Many (more than 1000) of these regulations have been the source of ridicule and have been deleted as useless by OSHA. These organizations have been replaced with NIOSH as a source of standards. The remaining safety practice standards need to be rewritten. Ideally, they should be detailed enough so that they can be used as a "blueprint" for practical compliance. Small employers can't afford experts to show them how to achieve generalized goals. They need - and ask for - easy-to-read specific instructions of the kind that OSHA is trying to provide.

Larger companies (who have specialized staffs) can, and sometimes do, ask for variances to achieve the same goals in a different way. Few variance requests are denied.

The Department of Commerce, OMB, the Administrative Conference and the major corporations are pressing OSHA to again become dependent upon the same organizations that produced the deleted standards.

Who is trying to help small business?

In the early years of OSHA there was no effort to aid small business in part because of the SBA mandate to provide technical and financial assistance. SBA failed. With our urging, OSHA began to provide the same kind of assistance to small business we have requested for our own members. Their problems are similar. Today, the only source of technical assistance to small business comes from OSHA and a complementary NIOSH program. About $20 million is earmarked for this program in 1979.

Cardiovascular Disease and Environmental Exposures (Both in the Workplace and the Community)

Kenneth Rosenman, M.D.

There has been a growing awareness of the relationship between the quality of the environment and the incidence of human disease. This awareness is reflected by the increased number of investigations and the rapid growth of the field of chemical carcinogenesis. Lung disease and air quality, especially in the workplace, is another area where environmental risk factors are suspected and many associations have been found. In contrast, studies into the etiology of coronary arteriosclerotic heart disease (CAHD) have usually not considered an individual's exposure to environmental toxins. Those studies which have looked at cardiovascular disease in relation to occupation have been concerned with the effect of sedentary versus active work.[1,2,3,4,5,6] (All of these studies showed a higher rate among sedentary workers except the study of chemical workers).[5] There have been very few attempts made to correlate specific chemicals, gases, dusts, and/or fumes or mixed exposure of the above with the subsequent incidence or prevalence of CAHD. This deficit is not unique to the medical literature. An examination of the table of contents of a typical toxicology text book[7] shows chapter headings like Toxicology of the Liver, Toxicology of the Kidney, Toxicology of the Central Nervous System, etc. Toxicology of the cardiovascular system stands out by its absence. Some may argue that this deficit is justifiable and is due to a lack of effect rather than a lack of knowledge. Up to thirty years ago CAHD was felt to be a nonmodifiable degenerative process of aging. This concept has changed with subsequent epidemiological (i.e. Framingham) and clinical studies. There are now federally financed multiple risk factor intervention trails. Our understanding of CAHD (still the leading cause of death in the U.S.) has not progressed to such an extent that one could defend the present list of accepted risk factors as being complete.

The information presented in the following discussion will explore possible environmental risk factors and in the process suggest new means of intervention. The inconclusiveness of much of the data rather than indicating an absence of effect points out the need for further study.

The discussion of cardiovascular disease will be mainly limited to possible environmental etiologic factors of CAHD. By inference one could assume that many of these same factors would be important in the incidence of cerebrovascular disease. Grouped into the discussion of CAHD will be agents that cause arrhythmias or vasospasm. Although these two physiologic responses are not necessarily related to arteriosclerosis it is impossible without good autopsy data to separate sudden death due to these mechanisms from sudden death secondary to myocardial infarcts of atherosclerotic origin. Agents having a direct effect on myocardial tissue will also be reviewed. There will be no discussion of environmental causes of congenital heart disease.

The currently accepted risk factors for CAHD are listed in Table I.

Table II

Risk Factors for CAHD

I. Nonmodifiable risk factors
    A. Age
    B. Sex
    C. Familial history of premature CAHD
II. Modifiable risk factors
    A. Major
        1. Elevated serum lipids (cholesterol and triglyceride)
        2. Habitual diet high in total calories, total fats, saturated fats, cholesterol, refined carbohydrates and salt.
        3. Hypertension
        4. Cigarette smoking
        5. Carbohydrate intolerance
    B. Minor
        1. Obesity
        2. Sedentary living
        3. Personality type
        4. Psychosocial tensions
        5. Other

Table II lists those agents which have with various degrees of confidence been associated with heart disease in humans.

Table II

Suspected and Proven Risk Factors in Cardiovascular Disease

- I. CAHD risk factors
  - A. Carbon Disulfide
  - B. Carbon Monoxide
  - C. Decreased Ventilatory Capacity
  - D. Heavy Metals
    - 1) Hypertensive Agents
      - Lead
      - Cadmium
  - E. Physical Agents
    - Noise
    - Radiation
    - Heat
    - Cold
- II. Non-Atheromatous Ischemic Heart Disease
  - A. Nitrates
- III. Arrhythmic Agents
  - A. Solvents
  - B. Fluorocarbons
- IV. Myocardial Tissue Toxins
  - (a) Cobalt
  - (b) Antimony
  - (c) Arsenic
    - 1) Arsine
  - (d) Yellow Phosphorous

Their potential importance in terms of human disease varies not only with their degree of toxicity but also with the number of individuals exposed (i.e. Carbon monoxide vs. Carbon disulfide). There are many possible interactions between Table I and Table II. The predominance of males in the workplace, where one finds the highest exposure to agents in Table II, may contribute to the known differences of incidences between the sexes. Carbon monoxide may be the factor causing the strong association between cigarette smoking and CAHD. Carbon disulfide exposed workers may have more CAHD because of increased blood pressure and/or cholesterol levels. Certain heavy metals may increase the incidence of CAHD by their toxic renal effect which may subsequently cause hypertension.

The mutagenic theory of arteriosclerosis[9] suggests a possible mechanism for environmental agents. Cells in aortic atherosclerotic plaques from women heterozygous for x linked glucose-phosphate dehydrogenase deficiency were examined at autopsy for their clonal origin. The cells in fibrous plaques were found to be of monoclonal origin as compared to cells in normal intima.[10] Fatty streak cells (thought to be the intermediate stage between normal intima and plaques) were found to be intermediate for the presence of monoclonal cells.[11] This suggests that there is some change in the genetic information being transcribed by abnormal plaque cells which, causes them to proliferate. Atherosclerotic plaques may be a type of benign neoplasm.[9]

This theory is consistent with currently known risk factors that are thought to increase the incidence of CAHD: (1) Cigarette smoking - Chickens exposed to benzpyrene (a suspect carcinogen present in cigarette smoke and other forms of pollution) have increased number of atherosclerotic plaques at autopsy;[9] (2) Hypercholesterolemia - a) Benzpyrene was shown by serum electrophoresis to be carried by the same protein factors as cholesterol,[9] b) Cholesterol epoxides, increased in individuals with hypercholesterolemia, are carcinogenic in mice and rats;[9] (3) Hypertension - DNA of people with hypertension is more susceptible to breakage by mutagens than the DNA of normotensive people. It is possible that the same type of factors that have caused the epidemic increase of cancer are responsible for the earlier epidemic increase of CAHD. If this is so this paper only begins to scratch the surface of the relationship between environmental exposure and CAHD.

Carbon Monoxide

The literature on carbon monoxide, smoking and CAHD is extensive. The literature on CAHD after chronic exposure to CO is almost nonexistant. The association between cigarette smoking and an increased frequency of CAHD is well documented.[13,14,15,16] The etiologic agent in the cigarette smoke, based on animal experiments, appears to be carbon monoxide. Nicotine has been found to have no effect on atherosclerosis.[14] Other compounds in cigarette smoke suggested as having possible etiologic roles are nitrogen oxides, hydrogen cyanides, arsenic, ionizing radiation and chemical mutagens. A study has shown that smokers with carboxyhemoglobin (COHB) levels greater than 5% have twenty times the risk of developing atherosclerotic heart disease as smokers of the same age and sex with values lower than 3%.[17] However this is not proof of a causal relationship as increased carbon monoxide levels may only indicate increased inhalation and therefore only increased exposure to the real causal agent. It has been postulated that CO increases endothelial permeability to albumin which causes changes indistinguishable from early atherosclerosis. In support of this mechanism experimental induction of COHB levels of 20% in humans was associated with an increased transcapillary escape of ^{131}I-labelled albumin. This was not found in individuals merely made hypoxic.[13]

Rabbits with intermittent exposure to CO (analogous to fluctuating occupational and ambient air levels) had more atherosclerosis than when exposed continuously.[14]

Besides having a possible etiologic role, CO has been shown both under experimental conditions and after driving on the Los Angeles Freeway to cause aggravation of preexisting CAHD.[18] Exercise time was decreased for patients suffering from both angina and intermittent claudication.[19] These changes took place with increases of COHB as low as 1.7% above preexposure. Also, in Los Angeles it was found that there was an increased myocardial infarction case fatality rate in high pollution area during periods of relatively increased ambient carbon monoxide[20] levels. A study of monkeys tested for their susceptibility to ventricular fibrillation demonstrates a possible reason for the above observation. The results showed a continuum from the group least susceptible to ventricular fibrillation (no infarct, COHB 1.1%) to (infarct, COHB 1.2%) to (no infarct, COHB 8.4%) to the most susceptible group (infarct, COHB 10.2%).[21]

After exposure to high CO levels, EKG and systolic time interval changes were noted in individuals clinically free of CAHD.[15] Direct myocardial damage after no more than 48 hours was found in rabbits with COHB levels of only 8-10%.[14]

There are few epidemiologic studies done on human exposure to CO. A Finnish group showed that 26% of 145 nonsmoking foundry workers had COHB levels greater than 6%.[22] In a prevalence study of CAHD[23] (a much larger cohort than above) in Finnish foundry workers, 14% of those examined were found to have angina. The prevalence in nonsmokers, no CO exposure was 2% while the prevalence in smokers with CO exposure was 19%. Nonsmokers with CO exposure had the same prevalence of angina as exsmokers with or without CO exposure and smokers without CO exposure. The electrocardiograms (interpreted by the Minnesota code)[24] showed no differences in groups according to exposure and smoking history. The authors felt they were unable to determine whether CO caused increased CAHD or just aggravated symptoms. In a companion study[25] no increase of mortality in men working more than five years in the foundry was found in furnacemen or casters who are thought to have the highest CO exposure (although no actual COHB levels were done). The authors concluded that despite the negative study the results do not rule out a possible effect of CO upon CAHD mortality. They cite the lack of substantial difference between the CO exposed and nonexposed group (some furancemen and casters have no exposure while some of the comparison group, coremakers, do), and the question of health selection (information from a third study showed 14% of workers had a history of myocardial infraction who quit after less than one year as compared to 7% who quit after five years as compared to 1% of those still working).

In the American mortality studies[26,27,28,29,30] of steelworkers certain job classifications had a significant relative increase of cardiovascular disease. This included men working as janitors, maintenance mechanics, crane operators and in the batch pickling and sheet drying areas. Men in the coating department and masons had increased hypertensive heart disease. The increase in janitors and maintenance mechanics was felt to be due to health selection. These were jobs men were moved into as they became ill or grew older. The other areas where increases in cardiovascular disease were noted are felt to be significant and related in some way to the men's occupation. There have been no industrial hygiene surveys of these areas in attempt to elucidate the possible etiologic factor(s). There is no reason to place this discussion in the CO section except for the previously mentioned studies in the Finnish foundries. For example, the exposure in the batch pickling area seems to be mainly one of sulfuric acid and sodium hydroxide. An extensive industrial hygiene survey and confirmation of the suspected increase of CAHD might point out a new risk factor(s).

Another cohort of individuals at risk to the effects of CO are those exposed to methylene chloride. This chlorinated hydrocarbon used as a paint stripper, degreaser, aerosol propellant and solvent for plastic films and cement is converted in the body into CO. The twenty four hour time weighted average for nonsmokers exposed to 200 ppm of methylene chloride was 7.3% COHB.[31] Long term mortality and mobidity studies need to be done to assess the CAHD rates for both occupationally exposed groups and heavy consumer users.

CO definitely aggravates the symptoms of individuals with CAHD and very possibly accelerates atherosclerosis. The latter effect however, is based only on animal studies. Its presence in industrial setting in nonsmokers has been shown to be as high and sometimes higher than the levels in smokers. Cigarette smoking is strongly associated with CAHD. The exact etiologic factor or factors in the smoke if not carbon monoxide could possibly be elucidated by epidemiological studies of workers exposed to other substances found in cigarette smoke (i.e. nitrogen oxides, etc.). In the meantime, the etiologic role of CO should remain highly suspect. The present industrial standards which allow COHB levels of 7.36% and the newly recommended standard which would allow approximately 5% COHB blood[12] levels appear inadequate. Disregarding the chronic atherosclerotic effect, these levels would cause an aggravation of symptoms in workers who already have clinical CAHD and probably adversely effect the mortality of these individuals. Meanwhile as a consequence of the tightening of emission controls on automobiles, the exposure to CO in the community has apparently lessened. The number of nonsmoking Chicagoan blood donors with COHB above the upper community limit of safety set by the EPA showed a 33% decrease from 1970 to 1974 (from 74% to 41%).[32]

Further work is needed to show the effect of CO on the pathogenesis of atherosclerosis in humans. The present evidence, however, is consistent with the need for further reductions in CO levels, both in industry and the community.

Pulmonary Function

The relationship between restrictive lung disease and occupational exposure has been well worked out for certain diseases (i.e. asbestosis, silicosis, berrylliosis, farmer's lung). With a sufficient level of exposure a certain percentage of individuals will be so severely effected that right sided heart failure will be precipitated. That there is any relationship between the presence of lung disease and the subsequent development of CAHD is not as clear cut. It was first suggested by an analysis of the results of the Framingham study that a decreased vital capacity was a risk factor for CAHD. This finding was disputed by Keys who analyzed the data from a world wide epidemiological survey of approximately 6000 men.[33] He showed that the association between pulmonary function and CAHD lost statistical significance if the age factor was better controlled. A study refuting Key's finding was recently reported on patients in the Kaiser health system who had a complete workup including measurement of pulmonary function.[34] Those individuals developing a documented myocardial infarction had had (on the average) statistically significantly lowered vital capacities on their previous physicals. This study was well controlled for all CAHD risk factors including age.

There is some indication that coal miners have an increased mortality rate for CAHD.[35] Although there is some CO exposure in coal mines, the lung is the site of major pathological changes. Studies that have disputed the increased incidence of mortality from CAHD generally suffer from deficiencies in data analysis (i.e. no mention is made of years of exposure or respiratory function). Morgan's study[36] did show a small excess of ischemic heart disease in non working miners (retired, left for health reasons or other jobs) despite the above mentioned deficiencies.

In a prevalence study of CAHD in Marion county, no differences were found in the rates between miners, ex-miners and non-miners.[37] However, there was an association between low ventilatory capacity (FVC in all age groups, FEV_1/FVC in all age groups except 50-59) and CAHD. This difference was present among all three occupationally defined cohorts. It could not be explained by cigarette smoking. A study from Sweden[38] shows a higher than expected death rate from CAHD in those individuals with decreased peak expiratory flow.

The evidence for designating decreased pulmonary function as a risk factor for CAHD is suggestive. At the least the evidence necessitates considering lung function whenever cohorts at risk for pulmonary disease minimizable if not preventable health change merit determination of its strength as a risk factor.

Carbon Disulfide

Cardon disulfide is a unique agent on Table II in the sense that laboratory studies and human epidemiological studies have confirmed its effect on CAHD. Its major uses are in the manufacture of rayon and carbon tetrachloride. Its use in the rubber industry is limited to the cold curing process which is not widely practiced in the United States. It is estimated that 300,000 workers are exposed to carbon disulfide.

Because of its effect on the central nervous system (psychosis and encephalopathy) pathologists first became aware of its atherogenic effects in the cerebrovascular system. It was later realized that the atherosclerosis was not limited to cerebral vessels. Animals who inhaled carbon disulfide in experimental situations were also shown to develop atherosclerosis. Later, first case reports and then epidemiological studies confirmed the increased incidence of CAHD in humans exposed to CS_2. Tiller's mortality study[39] of male workers from 1933 to 1962 showed 43% of exposed worker's deaths as compared to 17% of control workers deaths secondary to CAHD. The list of studies confirming the increased incidence of CAHD is long.[40,41,42] Many of the studies are done in Europe as the cold curing process for rubber was widely used there. Some of the studies show an increase in the average blood pressure and/or cholesterol in exposed groups.[40,41] Decreased fibrinolytic activity has also been reported.[40] The exact mechanism of the toxic effect is unknown. Possibly the effect on atherosclerosis is secondary to its reported hypertensive, hypercholesterolemic and/or antifibrinolytic action or may be to a mutagenic effect. The elucidation of its role in the pathogenesis of atherosclerosis would be important in understanding atherosclerosis even in the majority of the nonexposed population. The present exposure levels to workers are lower than in the past but the level of no effect for chronic exposure is unclear. The present level of exposure allowed in Finland where much of the recent work on carbon disulfide has been done, is one-half that of the United States.

Nitrates

Those nitrates which are used to make dynamite have been definitely associated with sudden death and nonatheromatous heart disease. The substances involved include glyceryl trinitrate (nitroglycerin), ethylene glycol dinitrate and the alkyl nitrates.[43] The reports of sudden death usually occur Monday morning prior to returning to work and are so named --"Monday Morning Death." A mortality report from an explosive plant in Pennsylvania showed a fifteen-fold increase in expected death for coronary artery disease.[44] Four of the six men dying were under the age of forty-five. The same paper gives a table of reported cases in the literature of sudden death in munition workers. There were about fifty reported for the period between 1936 and 1960. Three-fourths of the reports occurred after one to two day absence from work.

In a clinical study of nine munition workers with cardiac chest pain and without any other predisposing coronary risk factors one patient died, and five had myocardial infarctions.[45] They had worked in the plant from 1 to 4 years before having chest pain. All five individuals who had coronary arteriography had normal studies. The disease and symptoms in these workers all appeared to be related to a withdrawal phenomenon from work.[45] This same conclusion was reached in another study of nine munition workers with longer exposures from 2-27 years.[46] The presence of a withdrawal phenomenon has relevance to patients taking nitroglycerin medicinally over long periods of time. There is the possibility of rebound vasospasm in patients taking either high doses of nitroglycerin and/or the long acting nitrates who suddenly stop taking their medication. This necessitates cautious tapering of these medications to prevent myocardial ischemia. The question of exposure in other industries (i.e. pharmaceutical) needs to be investigated.

Metals and Trace Elements

Metals and trace elements are ubiquitous throughout the environment. Epidemiological studies have attempted to correlate variations in the concentrations of such substance in different areas with variations in prevalence of cardiovascular disease. Various studies have associated different metals and trace elements in the drinking water with the prevalence of CAHD. The corrosiveness of soft water appears to be the factor which explains why different studies have found different metals to be important. Depending on the geographic region and the presence or absence of soft water (the latter being consistently associated with areas of cardiovascular prevalence) different metals would become dissolved in the drinking water.[47] This would explain the varying and sometimes conflicting results which are found concerning specific metals. The mechanisms and/or the presence of causal relationships has not been determined.

Studies in rats show "focal myocardial fibrosis, probably healed coronary occlusion" occurred with increased frequency over control animals when fed niobium, zirconium, lead, vanadium, cadmium and antimony (in order of increasing positivity of the results). Human data exists on the exposure to antimony, cadmium and lead. One hundred and thirteen workers making resinoid wheels who were exposed for up to two years to levels of antimony from .58 to 5.5 mg/cumm were examined for possible cardiac disease.[48] The study was initiated after eight workers died (six suddenly and two from long standing heart disease). Thirty-seven EKGs out of a total of seventy-five done were judged to be abnormal by a cardiologist (mostly T wave changes). These changes persisted in twelve of fiftysix workers followed up after antimony was removed from the workplace. The authors note six confirmatory animal studies plus their own on antimony's effect on myocardial tissue. They also note the literature on EKG changes in patients being treated for parasites with antimony medications. The 1950 vital statistics show that compositors and typesetters exposed to lead and antimony fumes have increased cardiovascular death rate compared to other printing craftsmen. Whether the present U.S. standard of .5 mg/M^3 is adequate has never been tested for long term exposure.

The chronic effects of lead on the cardiovascular system have long been debated. There is widespread proof that lead can cause a chronic nephropathy.[49] Whether this is the etiology for the suspected increase of hypertension in lead workers has not been worked out. A clinical study from Great Britain compared the lead levels of the first 135 patients in a hypertension clinic with a control group matched for age and sex.[50]

The hypertensive group had higher lead levels. The presence of increased hypertension in lead workers has not been proven although there are conflicting studies on whether or not there is an increased incidence of cerebrovascular disease.[51,52] A industry sponsored mortality study[53] of lead workers in smelters and battery plants from 1947-1970 observed that the number of deaths was approximately equal to the expected. This is not necessarily a negative study as the "healthy worker effect" usually causes a lower than expected rate except in cases where there are industrial hazards. Statistically significant increases in the expected number of deaths for the categories of "other hypertensive disease" and "chronic and unspecified nephritis" were found although the actual number of deaths were small. A group at North Carolina have found a relation between CAHD and increased aortic lead levels.[54] Rabbits fed cholesterol and lead developed more atherosclerosis than rabbits fed cholesterol alone.[55] Rabbits fed lead alone did not develop atherosclerosis despite the apparent synergism between cholesterol and lead. There is enough evidence on the chronic effect of lead that one should not be complacent about its accumulation in the bodies of workers in the lead industry.

Epidemiological studies have associated increased cadmium levels with hypertension.[56,57] Rats fed cadmium develop hypertension.[56,57,58] A study comparing serum cadmium levels in an untreated hypertensive group with a nonmotensive control group found statistically significant increase in the average cadmium levels.[59] This is in agreement with previous studies on autopsy specimens showing high kidney cadmium levels in hypertensives. Among other toxic effects morbidity studies have shown kidney disease as manifested by a low molecular weight proteinuria in workers exposed to cadmium.[60] Cadmium levels in the air have been correlated with cardiovascular death rates. This association is independent of the effect of urbanization and other types of air pollution.[61] Cadmium is present in cigarette smoke, and smokers have increased cadmium levels. Its etiologic role in cigarette associated disease is unknown.

The presence of hypertension in exposed workers with its long term consequences has not been adequately explored.

Arsenic has in the past been considered a possible etiologic factor for the known increase of CAHD in cigarette smokers.[14] Since the abandonment of arsenic containing insecticide on tobacco the levels in cigarette smoke are much decreased. There are reports in the German literature of arsenic concentrations being increased ten times normal in areas of endemic atherosclerosis. Though probably not related to atherosclerosis there are reports of arsenic and arsine causing EKG changes. A case report in 1962 documents nonspecific T wave changes lasting for fourteen days after acute arsenic poisoning.[62] Animal studies attest to a direct cardiotoxic effect. Arsine known for its hemolytic properties[63] also appears to have a direct effect on the heart.[64] In a report of thirteen men exposed to arsine, the clinical impression and autopsy reports on four of the workers was that the cause of death was definitely not due to anemia but probably from acute myocardial failure. The nine men who recovered all had EKG changes which in one case lasted ten months. It is possible to hypothesize that the increased incidence of cardiovascular disease seen in batch pickers in the steel industry may be partially a consequence of the acid used in the process combining with arsenic impurities in the steel to form arsine.

Cobalt cardiomyopathy presented as an epidemic in the fall and winter of 1965-1966.[65] The mortality rates from the forty-eight cases reported in Canada was 41.6%. Other series were reported from Nebraska and Belgium. Cases began one month after cobalt was added as a foaming agent to beer. All individuals were heavy beer drinkers who drank mainly beer treated with a higher concentration of cobalt (1.2 ppm as compared to .075 ppm). Those who recovered and were studied one year later showed no residual heart failure. Pathological studies of the myocardium of all the deceased victims showed a similar type of tissue destruction and the presence of thrombi in the heart and major arteries. It was never adequately explained why estimated doses of 8 mg cobalt/24 pints of beer caused such a toxic effect when physicians had previously been prescribing medication containing 60 mg cobalt/day. Animal studies suggest increased cobalt heart disease in nutritionally deprived rats.[66] However, these studies did not control for the effect of thiamine deficiency. There have been no reports of heart disease in workers exposed to cobalt by a respiratory route. It is unknown whether this has been studied adequately.

There are reports of pathological changes in the heart after acute yellow phosphorous poisoning.[67] Animal experiments confirm the direct cardiotoxic effect. In the foreign literature (Russian and German) there are isolated reports of cardiovascular damage from chromium, manganese and mercury in the workplace.[68,69,70,71,72]

Solvent and Aerosol propellants

Most of the literature on the cardiac toxicity of halogenated hydrocarbons is concerned with their arrhythmic properties. There are, however, reports on the direct cardiotoxicity of certain solvents and propellants. 1,1,1-trichloroethane after inhalation by dogs, has a direct depressive effect on their hearts. It was suggested by the authors that there was an inhibition of myocardial contractility.[73] This same conclusion was reached in studies on the cardiac effect of flurocarbons (i.e. Freon) in mice, rabbits and in isolated human papillary muscle removed at surgery.[74,75] One hundred and fifty individuals suffering from "moderate chronic poisoning by benzene derivatives" were found in a Russian study to have an incidence of 26.6% ischemic cardiopathy and 28% hypertension. These prevalence rates were felt to be increased.[76]

The interest in doing animal studies with 1,1,1-trichloroethane came about after 18 deaths occurred due to the use and abuse of a nasal decongestant containing 1,1,1-trichloroethane as a carrier solvent. These sudden deaths were reported from throughtout the U.S. and necessitated the banning of its use as a carrier solvent in drugs. Much of the earlier information on the arrhythmic properties of these compounds came from their former use as anesthetic agents. There are at least five articles in the medical literature of arrhythmias and sudden death after exposure to trichloroethylene.[77,78,79,80] One of the reports from 1954 details five sudden deaths after exposure to trichloroethylene of which four appear to be secondary to ventricular fibrillation.[81] An attempt has been made using an animal model (dogs) to classify compounds as to the strength of their cardiac sensitizing properties.[82] The most active compounds are benzene, chloroform, heptane and trichloroethylene. Considered intermediate in arrhythmic toxicity are carbon tetrachloride and halothane. The list of weak sensitizing agents is long and includes previously mentioned methylene chloride and the infamous vinyl chloride. Flurocarbons were also classified for the ability to sensitize the heart to ventricular fibrillation.[75] All fluorocarbons have some effect though at varying concentrations and in different percentage of dogs. The combined exposure to noise and a fluorocarbon was more sensitizing than the fluorocarbon exposure alone.[82]

The effects on humans who abuse products containing these substances is well documented. One hundred and ten sudden sniffing deaths were reported from 1964-1969.[83] The deaths were not caused by suffucationas as the victims were usually found at varying distances from the plastic bags filled with the substance they had been inhaling. The six autopsied cases reported in this series showed no anatomical cause of death. The substances used were fluorocarbons, benzene 1,1,1-trichloroethane, gasoline, toluene and other unspecified hydrocarbons.

There have also been reports of adverse effects in normal users of propellants.[84,85,86] Pathologists have had documented palpitations when using a spray freezing agent which contained a fluorocarbon propellant. Twenty-four hour electrographic halter monitoring indicated premature atrial contractions, paroxysmal atrial fibrillation and increased premature ventricular beats. These results were totally unexpected in this group of young clinically healthy adults.[87]

In the 1960s both epidemiological and case reports tended to associate an increase in sudden death in asthmatics with the use of over the counter bronchodilator aerosols. It is felt that the propellant was at least partially responsible in combination with the sympathomimetic bronchodilators in causing cardiac arrhythmias.

The effects of these compounds in the home and industry have never been studied. The number of individuals exposed is overwhelming. Some of their uses are in cleaning, degreasing, painting and also as a starting and carrier compound in the chemical industry. It is estimated that there are over 300,000 workers exposed to trichloroethylene alone. The incidence of sudden death in cases without massive exposure is not known. Their effect in shortening the final outcome of CAHD is also unknown. One would suspect that individuals with previous heart disease would be at increased risk. Animal studies on hamsters with hereditary cardiomyopathy showed arrhythmic toxicity at lower concentrations than in healthy animals.[88] The rate of accidents and/or accidental deaths that are actually due to syncope from induced arrhythmias is not known. The additive effect of stress such as loud noises on the arrhythmic effect of the offending chemicals would also be important to know. Studies with continuous electrocardiographic monitoring during actual solvent and propellant use would be a first step in exploring some of these unanswered questions. Exploration of their direct effect on cardiac smooth muscle is also warranted.

Physical Agents and Stress

Marked physiological changes have been noted under stressful conditions. The chronic exposure to stress especially psychogenic has been considered a risk factor for CAHD. Most of the work on the cardiovascular effects of stress have been concerned with psychological factors (i.e. type B personality and arrhythmic precipitating events). There has been very little work on the chronic effects of physical stress.

There is limited information on the non-auditory effects of noise. A three hour exposure to noise intensity from 105-115 dB in eighteen subjects showed increased catacholamine excretion, and increased cholesterol, triglycerides, blood pressure, free fatty acid and plasma 11-OH cortisol levels.[89] Only the cortisol levels showed attenuation during exposure. Obviously these findings chronically present would have a detrimental effect on the coronary arteries. A German study of steel workers found a higher prevalence of "heart problems" in the nosier areas.[90] This is another possible explanation for the mortality findings in the American steel industry. Animal experiments have demonstrated increased platelet adhesiveness after noise exposure.[91] The authors were considering their results as a possible mechanism for auditory loss but an increased clotting tendency would have important cardiovascular implications.

In rats and possibly man hypertension is associated with high levels of noise. A study was done comparising urban dwellers with an African tribe in southern Sudan which has a very low exposure to noise.[92] The latter group besides not having the hearing loss associated with age (presbyecus) seen in industrial populations has a low rate of hypertension. Individuals in both groups responded with prompt vasoconstriction at noise levels of 90 dB. However, the blood vessels of the tribe members relaxed much quicker. This difference in vessel elasticity between the two groups suggests an explanation for the low prevalence of hypertension found in the quieter environment.[92] A study in Iran of silo workers (noisy environment) showed a higher prevalence of hypertension than expected.[93]

The physiological effects of hot and cold environments have been studied. Among other physiological phenomena heavy exercise in a hot environment causes maximal heart rate to be reached at lower levels of oxygen consumption.[94,95] Heavy work and/or the increased effort of breathing caused by wearing a respirator would be more likely to precipitate an ischemic attack in a susceptible worker under hot conditions than during more comfortable temperatures. However, heat's chronic effect on the pathogenesis of atherosclerosis has not been well studied. A mortality study of open hearth steel workers (done because of their excessive exposure to heat) showed less heart disease than expected.[29] The problem of the healthy worker effect and comparison with other steel workers with their own possible cardiac risk factors are possible biasing factors in the study.

There is the common[47] impression that strenuous work in the cold (i.e. shovelling snow) is associated with ischemic attacks. There is experimental data that peripheral vasospasm causes coronary artery vasospasm.[96] A study of[95] 300 men working in a cold climate for three months showed no EKG changes (tests included the master 2-step exercise testing both before and after the 3 months). Despite this rudimentary study the long term pathogenic effects are still unknown for workers in a cold environment.

There is some evidence that radiation has a etiologic role in atherosclerosis. First there is experimental evidence in animals that radiation increases atherosclerosis.[97] Second, there are case histories of patients developing myocardial infarctions and premature atherosclerosis after being treated with radiotherapy for cancer[98] (i.e. fifteen year old boy died of myocardial infarction after receiving 4000 rads to his mediastinum for Hodgkin's disease. An autopsy showed atherosclerosis of only his coronary arteries). Finally, there is epidemiological evidence from thirty-three autopsied cases. Alpha ray emission from atherosclerotic plaques were found to be twice as high in that half of the autopsied cases who died from CAHD, as compared to those dying of other causes.[99] A common source of radiation for the general population is cigarettes.[100] It is suspected that the use of phosphate fertilizer, contaminated with uranium, on tobacco plants is the source for the radiation found in cigarette smoke. The ^{210}PO and ^{210}Pb (alpha emitters) which are found in cigarette smoke besides having a possible etiologic role in lung cancer would also contribute to the pathogenesis of CAHD. The concept of radiation being an etiologic factor fits in nicely with the mutagenic theory of atherosclerosis. Long range mortality and morbidity studies looking for CAHD need to be done on workers exposed to radiation.

Working and living in electromagnetic fields has been suggested as a possible risk factor. In the U.S. where only the thermal properties of these waves are accepted there has been no work to confirm or deny this suggestion. Divers and caisson workers who are subjugated to repeated periods of compression and decompression and work under increased atmospheric pressure are another group where heart disease may be accelerated.

Summary

This paper has looked at CAHD in a way not usually considered relevant. It has reviewed the known and not so well known associations between the environment and CAHD. Admittedly much of the information is scanty and incomplete but to a large extent it represents the amount of research done in this area. Despite the many advances in the field of CAHD, the origin and mechanism of atherosclerosis remains elusive. Hopefully this paper has suggested new areas of research and new methods of preventive intervention. There are now more sensitive and specific non-invasive methods (i.e. echocardiography and systolic time interval) to measure left ventricular function than those used in past cardiovascular epidemiological surveys (questionnaire and electrocardiogram). These new techniques could be adapted for surveys in such areas. This discussion of environmental risk factors is not an attempt to negate the importance of known risk factors for CAHD. With the extent of our present knowledge of CAHD it would be presumptuous to claim the agents discussed here have the same importance in the etiology of CAHD as the presently accepted risk factors. But it would be equally presumptuous to dismiss the questions raised here without further research on them.

An examination of the 1975 National Heart and Lung Institute subject index does not, however, indicate any great blossoming forth of knowledge on the association between environmental exposure and heart disease. Of the approximately 4000 grants funded by the Institute in 1975 there were approximately twenty whose titles indicated some relationship with the environment and its effect on heart disease. Six studies related to pressure (compression and decompression) five to carbon monoxide, three to heat, three to trace elements, two to propellants, one to cold, one to radiofrequency and one to high altitude. There were other studies (i.e. epidemiology of sudden death) which depending on the methodology used could have answered questions raised in this paper (i.e. solvent exposure and arrhythmias). Considering the lack of attention paid to environmental surroundings I would doubt whether the grants with non-specific titles would produce information pertinent to environmental exposure. Although the 1976 grant book has not been published yet, I doubt whether that year's grants contain a greater number of relevant heart-environmental studies. Our present inability to document the causal agent in cigarettes despite their known significance in CAHD should remind us of the large gaps in our knowledge. The extent of our understanding of CAHD is too limited to ignore the effect of the multitude of potentially toxic agents which have been suggested by preliminary work. The effect of their continual interaction with our bodies demands explanation.

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We'd Really Rather Stay Healthy

Workers are smart enough to care about a safe job environment, no matter what the bosses say.

By Peter Bommarito *President*
United Rubber, Cork, Linoleum and Plastic Workers

When the late Sen. Hubert Humphrey introduced a bill to create a federal safety program in 1949, he was responding to a very deep-seated need which was long felt by workers: safe working conditions. Two decades later, when the labor movement finally achieved passage of the Occupational Safety and Health Act, that was the attainment of only the latest stage of a bitter struggle by workers, a struggle often ignored or historically misstated, a struggle that is the key to job satisfaction.

The key argument of management in the current controversy over OSHA proposals to control cancer-causing chemicals in the workplace—for example—rewrites this history. Often quoted is Dr. William Lowrance, whose concept of "acceptable risk" summarizes the position of the employers:

> It has traditionally been accepted that pursuing one's trade will almost inevitably bring a peculiar set of risks, and further, that such risks *may allowably be greater than for nonoccupational activities*. This attitude has strong historical momentum. . . . Although people have always tried to reduce their work hazards, systematic effort has been made only in recent years and even then in a few prosperous countries. . . . A remarkable change in attitude.

Lowrance goes on to state that it is "generally agreed" most industrial accidents (and even a large number of illnesses) are precipitated by "*ignorance, absentmindedness, negligence and foolhardiness*."

In a nutshell, Dr. Lowrance is arguing that workers are satisfied with the levels of risk found in the past and that these risks are acceptable to the worker now, a thesis supposedly proven by the persistence of the hazards and his belief as to their primary cause: the workers' own behavior.

The facts are that there was never historical acceptance of most workplace risks. Workers have always understood and distinguished between different levels of risk made necessary by their varying ability to recognize and control hazards at any one time. There has, indeed, been a change of attitude, but not in acceptance. The change has been decreased apathy and inaction as workers slowly increased their ability to recognize and control hazards, many of which they have always faced. While these hazards do indeed have a behavioral element, it is not an element explained by the fable, perpetuated by management, of the stupid, accident-prone worker.

William Tarrants, president of the American Society of Safety Engineers, rejects Lowrance's absurdity in no uncertain terms: "Instead, I would say that it is generally agreed that most accidents are associated with *multiple* causal factors, some relating to the actions of people."

On the causes of occupational illnesses, whether we are speaking of asbestos or welding fumes, I would add my own observation that in the workplace the primary cause is widespread ignorance in labor, management, government and academia compounded by negligence (often criminal).

The attitudes that do persist historically are highlighted when one seeks the historical roots of management's behavior and the concept of workers' risks acceptable to management. It was summarized in 1930 by H. W. Heinrich: "undesirable traits of character . . . passed along through inheritance."

Management believed then, and apparently now, that a factor in accidents is a worker's ancestry and social environment.

This is an attitude generated as a defense by management in workers' compensation cases. Even before the time when Heinrich wrote, real scientists had pinpointed the problem.

Writing in 1910 in *Work Accidents and the Law*, Crystal Eastman explained the normal tendency of the time in cases of fatal industrial accidents:

> The witnesses are employees of the company, including almost always the superior of the man killed. It is to his interest first to clear himself of all implication: second to clear his employer. The easiest and safest way of accomplishing these ends is to blame the dead man.

Eastman went on to explain what she considered to be the major causes of industrial accidents:

> ...in the condition and environment of those in "dangerous occupations," there are often influences working to weaken the power of attention. The speed and intensity of the work, the heat and noise of the place, the weariness of the workers—all these things tend to numb the faculties most needed fur protection.

William Green, in 1926, speaking for the AFL, summed up the reality of the times very well: "Both (accidents and industrial disease) are due to work environment. Both result in disability, differing only in rapidity of development."

Nothing much has changed either in the real-life situation or in employer attitudes since the early days of the American industrial enterprise. The Insurance Company of North America, in an advertisement in the *Wall Street Journal* of May 12 —written to sell compensation insurance—spouts the same old line: "problem employees," "human error." That is the message employers want to hear. It's a message that sells insurance. But attempting to control the worker, rather than the work environment, inevitably means the generation of psychological and social stresses that destroy the possibility of meaningful satisfaction on the job.

"Becoming ill or injured on the job was regarded as most important (among worker concerns)."

A survey of working conditions as they are related to job satisfaction by the University of Michigan and the Department of Labor in 1970 (while the OSHAct was being passed) tells something about the perception workers have of the workplace. The investigators studied 19 areas of concern to workers. Economics, psychological, discriminatory and physical problems were ranked by workers themselves in terms of what they wanted solved on the job.

Consistently with the entire history of work, the investigators found that becoming ill or injured on the job was regarded as most important, followed by concern for economic hardships that result from job-related illness or injury. Unpleasant working conditions ranked ninth. Wages and fringe benefits were secondary. Working under "pleasant" conditions was less important in terms of job satisfaction than having a supervisor who cared about his employees and provided assistance in solving problems on the job (the chief of which was safety).

In a study that could have been done in the United States with similar results, health problems were spotlighted by workers in Bremen, Germany, as the greatest strains imposed on them at work. Based on a survey conducted by Bremen University. German workers rank boredom and monotony below noise, heat, dust and other problems related to lifting and posture. This data is consistent with studies in Sweden. There is nothing unique, then, in the American worker's understanding of the problem.

How does the worker's perception of the workplace fit the reality? In 1970, about 11 million on-the-job episodes occurred in which someone was injured. About 12,000 deaths resulted from these injuries. About 100,000 "excess deaths" from work-related chronic disease occurred. Most of those deaths from disease resulted from exposures to toxic chemicals and physical agents that began or occurred in the early 1940's. We are just now beginning to see the effects of exposures in the late '40's and early '50's. Informal government estimates now calculate that the estimated "excess deaths" from occupational disease may be doubling.

As tragic and supportive of workers' perception of the workplace as these figures may seem, they don't describe the whole picture. They describe the injuries and diseases (explosions, cave-ins, cancer) that are most obvious to the scientist, but they tend to discount cases of sickness and death that, because they are easily confused with emotional problems and with the aging process, are seldom studied.

Just in the last few years, we have witnessed many workplace episodes that started with emotional problems of workers—such as concern over miscarriages, impotence, lack of sleep, coordination, forgetfulness—only to find that they were related to solvents, lead, mercury, pesticides and chemicals used in plastics manufacture. These were not problems solved by the introduction of muzak or fun and games at lunch time. They were solved by ventilation, substitution of less hazardous materials, and safer practices.

Problems associated with the aging process may be the most devastating of all: job-related nerve-muscle-bone disease that reduce the ability of the worker to work safely at the same time that they slowly but surely create permanent disability.

In these days of anti-inflationary screeching, mostly aimed at the labor movement, it is important to understand the economic impact of preventable "neuromusculoskeletal" diseases.

One of the nation's leading scientists in this field, Dr. Erwin Tichauer, estimates that the annual cost of these diseases is $19 billion to $39 billion, an amount equivalent to 5 to 15% of our national budget. More important, it is the price our industrial enterprise pays for poor design (not counting the incalculable suffering and shortened lives of workers).

In a little-noticed paper delivered to the National Safety Council in 1975, Dr. Richard Addison calculated that each year 700,000 workers lose time from back injuries alone, at a cost to us of $1 billion.

If, as a society, we really wanted to control inflation, we would focus on the costs of inefficiency, costs such as these. If we really wanted American products to be competitive with foreign goods, we would not relax our workplace standards—as is suggested by the Department of Commerce and the Council on Wage Price Stability—we would tighten them.

In a recent plant investigation, Dr. Tichauer found that an electronics firm with 500 employees—at a cost of more than $8 million—decided to fully automate their labor-intense operation in response to rising (50%) medical costs and dropping production. The problem was that the basic operation (involving the hands) was resulting in painful inflamation of the tendons and muscles of the hand and wrist and an extremely painful and disabling condition called carpal tunnel syndrome. (This one disease, nationally, accounts for 40% of all diseases of the hand.)

The investment didn't pay off. The response of the workers to the inflexibility of the new machinery only reduced productivity further. Sales continued to drop as costs and prices rose.

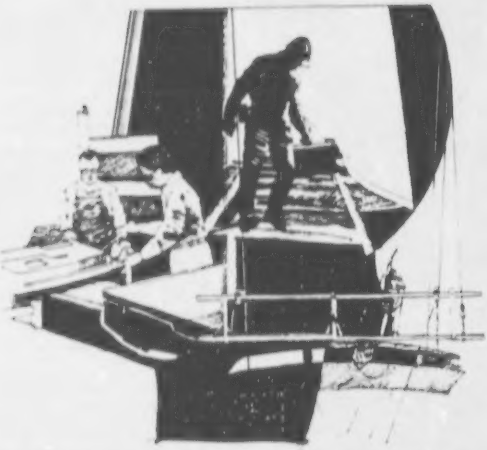
When Dr. Tichauer arrived on the scene he was told to look at the new automated process. Instead he looked at the job that had to be done. The consequence was that he re-designed the old hand operation. Some of the changes were amazingly simple: adjusting chair heights and changing work practices so that the wrist of the worker did not have to be bent downwards.

Bending the wrist down while twisting it outwards against resistance while using pliers for only a few minutes each day creates little harm. On the assembly line, where this was being done to loop wire, disease was being generated.

Having followed through on that suggestion, the company found stress decreased while production increased. The automated equipment was replaced by people and put under dust covers. Production, and profit, have put the company in the black. This was a case in which it was healthier for the worker and the company to design an operation to be labor intensive, rather than technologically intensive, provided that the process is designed around the worker.

In another, earlier study of a similar problem in another electronics plant, Dr. Tichauer's solution was to bend the pliers, not the wrist.

Similar case studies, ranging



"Forcing the human body to fit tools, machines, processes that seldom are designed with care for human beings as humans, rather than as living machines, must stop."

from the effect of vibration on typists' accuracy, to the reduction of pilot performance by poor seat design, to assembly line slow-downs resulting from the poor position of material being assembled, relate safety to health to efficiency to profits.

As productive as this approach to the workplace appears to be, it remains largely unrecognized. It comes as no surprise, then, that Tichauer estimates the aging of as many as four million people with arthritis is accelerated by the way in which their work is performed.

The real problems of job satisfaction are irretrievably bound with the fact that, by 1980, 22 million workers may have some work-related disability. The social-psychological stress that results from this growing problem overwhelms the perception of the worker. He knows what the real problems are. The trouble is that we are not speaking loud enough on his behalf. The result is that we have failed to gain the attention of the professions and the Congress.

The budget of the National Institute of Occupational Safety and Health—the agency charged with the responsibility for research in this area—is a symptom. We need help in the design of new technologies that build in the human factor and therefore reduce the potential for inducing disease and injury. Safety and health research should be integrated for this purpose because in this area they overlap—as in the neuro-musculo-skeletal stresses that we have described. We want an integrated mechanical, behavioral and physiological approach. In the NIOSH safety program, for example, the Administration is asking for only $100,000 each for "human factors" and "ergonomic characteristics" research for high risk groups. They need $1 million immediately to be spent jointly with the "health side" of the agency—and they need engineers and physiologists to do this work. We made this plea to the Congress for fiscal year 1978 and will make it again in 1979. We haven't asked for more because more can't be spent effectively until we build our resources in this area.

Growing older faster and with more pain than other people because of the work we do may be acceptable to society as a whole, at least as indicated by the lack of attention in the press, government research priorities and even the training of engineers and physicians. It is not acceptable to the worker. Rather than permit the quiet process of cannibalization that is taking place, the labor movement must do something about the recognition and treatment of these diseases. We must also do something about their cause! Forcing the human body to fit tools, machines, processes—an artificial work environment—that seldom are designed with care for human beings as humans, rather than as living machines, must stop. When we understand what workers understand, unnecessary risks will end.

Because the human is used in the industrial setting as if he were a disposable robot to be discarded when broken, new diseases are being created faster than we can find names in English for them. Who cares about broken robots? The robots do!

Social Security Disability: Who is Eligible?

The SSA disability program does not contain any provisions specifically relating to occupational diseases. Workers disabled by both occupational and non-occupational causes are eligible.

As of June 1978, there were 4,360,839 disabled workers and their eligible dependents received monthly benefits totalling $980,690,925 under Title II of the Social Security Act. In June of 1973, there were 3,404,589 beneficiaries who received monthly benefits of $424,179,998.

Similar data for coal miners' benefits (for respiratory disease) show that as of December 1977, 470,200 miners, dependents, and survivors, received $81,857,000 in monthly benefits. Comparative data for December 1972 showed 102,200 beneficiaries received $18,385,500.

It takes slightly less than 2 months to process a claim from application to initial decision of allowance. Almost 30 percent of the claims are processed to payment in the first month for which benefits are due. A disability benefit cannot be paid until a 5-month waiting period has elapsed from the established onset of the disability. A disability beneficiary remains on the rolls until either his condition improves, he returns to work, becomes age 65 and is converted to retirement benefits, or dies. The average length of time a disability beneficiary is on the rolls is about 3 years.

SSA Disability Expenditures (in Millions) by Diagnostic Groups

	1977	1972
Infective and parasitic	$ 150	$ 85
Neoplasms	1,150	430
Endocrine, nutritional, and metabolic	460	170
Mental Disorders	1,290	440
Nervous system and sense organs	780	280
Circulatory system	3,440	1,140
Respiratory system	760	330
Digestive system	350	130
Musculoskeletal system	2,140	750
Accidents	620	310
Other	325	410
TOTALS	$11,465	$4,475

DoD, DoD Contractor Claims

Former Department of Defense (DoD) employees should contact the civilian personnel office at their place of last DoD employment for claim information and appropriate forms. If the DoD employing activity is no longer in operation, former DoD employees should contact the civilian personnel office of the appropriate Military Department or Defense Agency headquarters.

DoD Employees

Current DoD employees should obtain claim information and forms from their civilian personnel offices.

Former military members, i.e. those individuals not on active military duty at this time, should file claims through the Veterans Administration (VA), using Form 21-526, "Application for Compensation or Pension Benefits." To obtain a copy of VA Form 21-526, and whatever additional assistance is needed, former military members should contact the nearest VA Regional Representative. Toll-free (Watts line) telephone numbers of VA Regional offices are listed in telephone directories.

DoD Contractor Employees

Questions pertaining to claims under the Longshoremen's and Harbor Workers' Compensation Act and its Extensions for Diseases Casually Related to Asbestos Exposure (by non-Federal workers) should be directed to: Department of Labor, Office of Workers Compensation Programs, Employment Standards Administration, 200 Constitution Avenue, NW., Room 53124, Washington, D.C. 20210.

REQUIREMENTS

To qualify for disability insurance benefits, a person must meet both the disability requirement and the earnings requirement of the law.

The Disability Requirement

To be considered disabled, a person must be unable to perform any substantial gainful work due to a medical condition which has lasted or can be expected to last for a continuous period of at least 12 months. The impairment must be so severe as to prevent the person from working not only in the person's usual occupation but in any other substantial gainful work considering age, education, training, and work experience.

The Earnings Requirement

A person whose disability began before age 24 meets the earnings requirement if social security credits have been earned for 6 calendar quarters (1½ years) of work during a 12-quarter (3-year) period ending with a quarter before age 24 in which the disability exists.

A person whose disability began between the ages 24 and 31 meets the earnings requirement if social security credits have been earned for work in at least one half of the calendar quarters in the period beginning with the calendar quarter after age 21 and ending with a quarter before age 31 in which the disability exists.

A person whose disability began at age 31 or later needs to meet two provisions of the earnings requirement. One, the person needs credit for 20 calendar quarters (5 years) of work during a 40-quarter period (10 years) ending in or after a quarter in which disability exists. And second, the person needs credit for one calendar quarter of work for each year after 1950 (or after reaching age 21, if that is later) up to the year the disability began. In the second instance, the credits do not have to have been earned during the past 10 years.

STATEMENT OF JOHN WEINTRAUB

Mr. WEINTRAUB. Mr. Chairman, members of the subcommittee, my name is John Weintraub. I am an associate director with the National Association of Counties here in Washington. What I'd like to do is highlight my statement and have the full text including the attachments incorporated in the record.

[The statement follows:]

STATEMENT OF JON WEINTRAUB

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, MY NAME IS JON WEINTRAUB. I AM AN ASSOCIATE DIRECTOR WITH THE NATIONAL ASSOCIATION OF COUNTIES. I SERVE AS STAFF TO THE NATIONAL ASSOCIATION OF COUNTIES' EMPLOYMENT STEERING COMMITTEE WHICH IS RESPONSIBLE FOR DEVELOPING NACO'S POLICY ON ALL EMPLOYMENT AND TRAINING RELATED PROGRAMS, INCLUDING THE JOBS ASPECTS OF WELFARE REFORM.

WE ARE HERE TODAY TO ADVISE YOU THAT FUNDING FOR THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT, FISCAL RELIEF FROM WELFARE COSTS, TITLE XX, THE OLDER AMERICANS ACT, AND HEALTH PROGRAMS ARE THE MAJOR COUNTY PRIORITIES IN THE 96TH CONGRESS. NACO SUPPORTED THE ADMINISTRATION'S EFFORT ON HOSPITAL COST CONTAINMENT IN THE 95TH CONGRESS AND WILL SUPPORT THAT EFFORT IN THE 96TH CONGRESS.

CETA

THE NATIONAL ASSOCIATION OF COUNTIES IS DISAPPOINTED IN THE PRESIDENT'S BUDGET REQUEST FOR THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA) FOR FISCAL 1980, PARTICULARLY IN TERMS OF THE PROPOSAL TO CUT BOTH SUMMER JOBS FOR YOUNG PEOPLE AND TO IGNORE THE CONGRESSIONAL RECOMMENDATION FOR COUNTERCYCLICAL PUBLIC JOB LEVELS. LET US GIVE YOU OUR SPECIFIC RECOMMENDATIONS:

-FORWARD FUNDING FOR ALL CETA TITLES

-TITLE II A, B AND C IS CLEARLY THE HEART OF CETA. THE PRESIDENT'S REQUEST OF $2.05 BILLION WOULD PROVIDE A MODEST INCREASE IN RESPONSE TO THE RISE IN MINIMUM WAGE. THE REQUESTED LEVEL IS THE MINIMUM THAT NACO CAN ACCEPT.

-TITLE VII AUTHORIZES A NEW PRIVATE SECTOR INITIATIVE THAT, WE HOPE, WILL PROVIDE AN EXTRA EMPHASIS ON WORKING WITH BUSINESS AND INDUSTRY. THE PRESIDENT HAS ASKED THAT THIS BE FUNDED THROUGH A FISCAL '79 SUPPLEMENTAL APPROPRIATION. WE URGE YOU TO GIVE CLEAR INDICATION AS SOON AS POSSIBLE AS TO WHETHER YOU WILL INCLUDE THESE FUNDS IN A FISCAL '79 SUPPLEMENTAL OR IN THE FISCAL '80 APPROPRIATIONS BILL. CETA PRIME SPONSORS AND LOCAL BUSINESS COMMUNITIES ARE GETTING READY TO

IMPLEMENT THIS PROGRAM. IN ORDER TO PLAN EFFECTIVELY AND NOT TURN-OFF THE COMMITMENT OF THE BUSINESS COMMUNITY, CETA PRIME SPONSORS NEED A CLEAR SIGNAL FROM THE CONGRESS AND THE HOUSE AND SENATE APPROPRIATIONS COMMITTEES AS TO WHEN AND IF FUNDS WILL BE APPROPRIATED FOR TITLE VII. WILL FUNDS BE MADE AVAILABLE IN JUNE, SEPTEMBER OR OCTOBER? WE NEED TO KNOW!

-TITLE IV COMBINES THE SERIES OF YOUTH EMPLOYMENT PROGRAMS. THE PRESIDENT HAS ASKED FOR AN OVERALL INCREASE OF $80 MILLION. YET, HE SUGGESTED THAT 14 YEAR OLDS BE EXCLUDED AND THAT A QUARTER OF A MILLION JOBS BE CUT OUT OF NEXT YEAR'S SUMMER YOUTH JOBS PROGRAM. NACO STRONGLY OPPOSES BOTH PROPOSALS. IN PARTICULAR, WE FIND IT CURIOUS THAT THE PRESIDENT SHOULD WANT TO CUT NEXT YEAR'S PROGRAM AT THE SAME TIME HE PREDICTS THAT UNEMPLOYMENT WILL RISE TO 6.2 PERCENT. YOUNG PEOPLE, AND PARTICULARLY MINORITY YOUNG PEOPLE, HAVE BEEN THE VICTIMS OF CONTINUING JOBLESSNESS DESPITE GENERAL INCREASES IN EMPLOYMENT. THEY ARE THE PRIMARY BENEFICIARIES OF THE SUMMER YOUTH EFFORT AND MUST NOT BE DENIED AT LEAST A CONTINUING LEVEL OF EFFORT ON THEIR BEHALF. PARALLELING THIS CUT IS THE ELIMINATION OF CSA'S SUMMER YOUTH SPORTS AND RECREATION PROGRAM PREVIOUSLY FUNDED AT $17 MILLION AND $6 MILLION RESPECTFULLY. THUS, THE PRESIDENT'S REQUEST WIPED OUT THE TRADITIONAL SUMMER PROGRAMMING FOR YOUTH AGES EIGHT THROUGH FOURTEEN. WE SUPPORT THE FULL RESTORATION OF THESE CUTS.

-TITLE II-D PROVIDES PUBLIC JOBS AND TRAINING FOR THE STRUCTURALLY UNEMPLOYED, THAT IS, THOSE WHOSE FAMILIES ARE ECONOMICALLY DISADVANTAGED AND WHO HAVE BEEN UNEMPLOYED FOR FIFTEEN WEEKS. WE ENDORSE THE PRESIDENT'S PROPOSAL TO PROVIDE 267,000 JOB AND/OR TRAINING OPPORTUNITIES. WE URGE YOUR SUPPORT IN ENSURING THAT PRIME SPONSORS CONTINUE TO BE ABLE TO EXERCISE THE FLEXIBILITY - AS AUTHORIZED - TO PLACE INDIVIDUALS IN JOBS AND/OR TRAINING, DEPENDING ON THE CLIENT'S NEEDS AND PREFERENCES, RATHER THAN BEING BOUND TO PROVIDE JOBS BUT NOT FULLTIME TRAINING AS THE DEPARTMENT NOW EMPHASIZES. AS YOU KNOW, PRIME SPONSORS HAVE PROVEN THEIR ABILITY AND WILLINGNESS TO WORK WITH THIS CLIENT GROUP - A LEAST HALF OF ALL NEW TITLE VI ENROLLEES FOR

THE LAST TWO YEARS HAVE MET THESE CRITERIA. THIS TIME AROUND, THE CHANGES IN THE PROGRAM RULES HAVE MORE TO DO WITH THE CHARACTERISTICS OF THE JOBS THEMSELVES THAN WITH THE ELIGIBLE PEOPLE. WE ARE COMMITTED TO DESIGNING PROGRAMS THAT CAN MAKE A DIFFERENCE FOR THE STRUCTURALLY UNEMPLOYED WITHIN THE CONSTRAINTS OF THE NEW LAW. TO DO THIS WE NEED SOME ANSWERS. WE HOPE THAT THE FINAL REGULATIONS WILL PROVIDE MOST OF THOSE ANSWERS AT THE END OF THIS MONTH. IN ANY EVENT, WE CANNOT CREATE OR FILL THE TITLE II-D POSITIONS UNTIL WE HAVE THE FACTS ABOUT AVERAGE WAGES, ABOUT ELIGIBILITY CRITERIA AND ABOUT OUR ELIGIBILITY VERIFICATION RESPONSIBILITIES.

-THE PRESIDENT HAS IGNORED CONGRESSIONAL GUIDANCE IN THE AUTHORIZING LEGISLATION IN MAKING HIS FISCAL 1980 REQUEST FOR TITLE VI COUNTERCYCLICAL JOBS. THE LAW SUGGESTS THAT JOBS BE PROVIDED TO 20 PERCENT OF THE NATION'S UNEMPLOYED IN EXCESS OF 4 PERCENT NATIONAL UNEMPLOYMENT. THE PRESIDENT HAS PROPOSED FULLY 400,000 FEWER JOBS THAN ARE CALLED FOR, GIVEN HIS ESTIMATE OF 6.2 PERCENT UNEMPLOYMENT DURING FISCAL 1980. AS YOU KNOW, THE CONGRESSIONAL BUDGET OFFICE PROJECTED A 6.8 PERCENT RATE FOR NEXT YEAR. DESPITE THE TRANSITIONAL DOWNTURN IN CETA ENROLLMENTS, WE FEEL THAT THE CONGRESS MUST RECOGNIZE AND PREPARE FOR THE POSSIBILITY OF RENEWED HIGH UNEMPLOYMENT BY ALLOWING CETA APPROPRIATIONS TO BE RESPONSIVE TO CHANGING PROGRAM AND ECONOMIC CONDITIONS. WE WOULD LIKE TO POINT OUT THAT THIS DOWNTURN IN PSE ENROLLMENTS SHOULD BE CONSIDERED IN THE CONTEXT OF CONGRESSIONAL ACTION. THE CETA AMENDMENTS AND THE CONTINUING RESOLUTION DID NOT BECOME LAW UNTIL LATE OCTOBER. THIS NEW LAW COMPLETELY TRANSFORMED THE WAY OF DOING BUSINESS AT THE PRIME SPONSOR LEVEL. THIS TRANSFORMATION HAS HAD A MAJOR IMPACT WHICH REQUIRES A VARIETY OF SYSTEMS CHANGES SIMILAR IN MAGNITUDE TO THE CHANGES THAT OCCURRED WITH THE PASSAGE OF THE ORIGINAL CETA LAW AND THE TITLE VI AMENDMENTS. THE CHANGES TO THE LAW ARE MASSIVE AND PERVASIVE, AND IT WILL CERTAINLY TAKE THE REST OF THIS YEAR FOR THE SYSTEM TO FULLY ADJUST.

LET ME EMPHASIZE THAT FUNDING AND THE CHANGES IN CETA LEGISLATION ALONE CAN ACCOUNT FOR THIS ONE TIME SLOW DOWN IN CETA ENROLLMENT. THE DEPARTMENT HAS MADE LAUDABLE EFFORTS TO GIVE ALL GROUPS CHANCE TO REVIEW AND COMMENT ON THE VARIOUS DRAFTS OF THE REGULATIONS AND THIS TAKES TIME.

WE WOULD ALSO LIKE TO POINT OUT THAT WE ARE LIKELY TO EXPERIENCE ANOTHER ONE TIME DROP IN ENROLLMENTS IN OCTOBER, 1979 WITH SIGNIFICANT LAY-OFFS WHEN THE TWELVE MONTH ENROLLMENT EXTENSION BECOMES EFFECTIVE.

THE NATIONAL ASSOCIATION OF COUNTIES OPPOSED SENATOR CHILES' AMENDMENT TO CUT $465 MILLION IN BUDGET AUTHORITY FROM TITLE VI IN FISCAL '79 WHEN THE FULL COMMITTEE MARKED UP THE RECISION BILL. WE ARE ATTACHING LETTERS FROM AROUND THE COUNTRY INDICATING THE IMPACT OF SUCH A CUT ON CETA PRIME SPONSORS.

WELFARE REFORM: THE NEED FOR IMMEDIATE FISCAL RELIEF

BEYOND THEIR CETA RESPONSIBILITIES, COUNTIES PLAY A MAJOR ROLE IN WELFARE. TWELVE HUNDRED AND SIXTY-NINE (1,269) COUNTIES IN EIGHTEEN STATES ADMINISTER FEDERAL WELFARE SERVICES AND, AS A RESULT, SERVE FIFTY PERCENT (50%) OF THE AFDC CLIENTS IN THIS COUNTRY.

NACO'S PRIMARY INTEREST IN WELFARE REFORM IS FOR IMMEDIATE FISCAL RELIEF FOR COUNTY GOVERNMENTS WHOSE BUDGETS ARE STRETCHED TO THE LIMIT BY CONTRIBUTIONS OF LOCAL SHARE AND ADMINISTRATIVE COSTS FOR SSI, AFDC, FOOD STAMPS, TITLE XX, SOCIAL SERVICES, FEDERAL EMERGENCY RELIEF, TITLE IV-B, CHILD WELFARE SERVICES, AND MEDICAID. THE MAJOR BUDGET BURDEN BORNE BY COUNTIES IS THE COST OF GENERAL ASSISTANCE WHICH, FOR EXAMPLE, SUPPORTS UNDOCUMENTED ALIENS, PENDING SOCIAL SECURITY RECIPIENTS, EMERGENCY RELIEF, AND ASSISTANCE TO NEEDY ADULTS.

WE SUPPORT A SUPPLEMENTAL APPROPRIATION OF $500 MILLION FOR FISCAL RELIEF IN FY 1979. WE ASK FOR YOUR SUPPORT FOR A MINIMUM OF ONE BILLION DOLLARS FOR FISCAL RELIEF IN FY 1980.

SOCIAL SERVICES

COUNTY GOVERNMENTS ARE THE PRIMARY DELIVERERS OF SOCIAL SERVICES, INCLUDING TITLE XX PROGRAMS, CHILD WELFARE AND FOSTER CARE SERVICES, and programs for the elderly. NACo strongly supports inclusion in the Federal budget of funds to provide for normal cost of living increases in social services programs for needy citizens. Holding these programs at the existing funding levels represents sure cutbacks in services, as counties must raise tax revenues to provide the local matching funds.

Specifically, NACo supports:

1) increasing the child welfare funding to the full authorization, $266 million (an increase of $209 million rather than the $25 million proposed by the Administration.) This measure was passed by the House of Representatives in the 95th Congress.

2) Increasing the Title xx social services ceiling to $3.15 billion for FY 1980 and $3.45 in FY 1981; a measure also passed by the House last year.

OLDER AMERICANS ACT

If funding for Older Americans Act programs is not substantially supplemented for FY'79 and increased for FY'80, there will be significant reductions in services available locally--at the same time the elderly population and its need for services are both increasing dramatically.

Although the Administration has requested a supplemental appropriation for $20.9 million for fiscal '79, that is inadequate to even maintain the current level of services. The same is true for the fiscal '80 budget request by the Administration which includes additional funding for only two of the many new mandates and opportunities added in the 1978 amendments to the act.

Since funds actually available now are those authorized by the continuing resolution of September, 1978 it is important to consider the purchase power of those dollars, in terms of services to the elderly.

By considering the impact of inflation alone, it is clear that there must be increases to simply hold the line.

By working with agencies serving the elderly and other organizations, NACo has determined that a funding level of $928.22 million

IS NECESSARY FOR FY '79 AND WOULD HOPE FOR FURHTER INCREASES FOR FY '80.

SPECIFIC AMOUNTS (IN MILLIONS) RECOMMENDED FOR FY '79 (AND INCREASES OVER THE ADMINISTRATION REQUEST) ARE:

TITLE III- ADMINISTRATION - $23.5 (1.0)
-SOCIAL SERVICES & CENTERS - $236.97 (40)
-CONGREGATE MEALS - $304.55 (50)
-HOME DELIVERED MEALS - $25 (25)
TITLE IV -TRAINING, RESEARCH AND DEMONSTRATIONS - $48.5 (4.1)
TITLE V -COMMUNITY SERVICE EMPLOYMENT - $289.8 (80)

FOR FISCAL YEAR '80 IT IS FELT THAT AN ADJUSTMENT FOR INFLATION ADDED TO THESE AMOUNTS WOULD BE A REASONABLE EXPENDITURE.

INCREASES REQUESTED ARE CLEARLY FOCUSED ON SERVICE TITLES AND COMPONENTS: SOCIAL SERVICES, MEALS AND JOBS. ONLY THROUGH SUBSTANTIAL INCREASES IN THESE BASIC AREAS CAN THE ELDERLY BE HELPED TO SURVIVE IN AN ECONOMY WHICH PLAYS HAVOC WITH THOSE ON FIXED INCOMES.

NACO UNDERSTANDS AND SUPPORTS THE ADMINISTRATION'S CONCERN FOR CONTROLLING INFLATION. HOWEVER WE QUESTION WHETHER UNCHANGING EXPENDITURES REALLY "HOLD THE LINE" WHEN THE NUMBER OF SENIOR CITIZENS IS INCREASING ABOUT 2 PER CENT A YEAR.

IF THE NUMBER OF UNEMPLOYED WERE INCREASING, SURELY THE FEDERAL BUDGET WOULD RESPOND. WHY SHOULD IT NOT LIKEWISE RESPOND TO THE GROWTH IN THE NUMBER OF ELDERLY CITIZENS?

SECOND, NACO QUESTIONS WHETHER THE ELDERLY SHOULD HAVE TO ABSORB THE FULL EFFECT OF INFLATION THAT WILL UNDOUBTEDLY OCCUR IN FISCAL '80. THE PRESIDENT'S BUDGET ALLOWS FOR ABSOLUTELY NO FUNDS TO OFFSET INCREASES IN THE COSTS OF GOODS AND SERVICES FOR THE ELDERLY. THIS MEANS THAT FEWER RIDES TO A DOCTOR AND FEWER HOT MEALS WILL BE AVAILABLE BECAUSE INCREASING COSTS OF FOODSTUFFS AND GASOLINE ARE BEYOND THE CONTROL OF AGENCIES THAT SERVE THE ELDERLY. WOULD IT NOT BE MORE REASONABLE TO BUILD IN SOME EXTRA FUNDING FOR INFLATION--PERHAPS AN INCREASE THAT WOULD REFLECT THE ADMINISTRATION'S CURRENT GUIDELINES FOR WAGES AND PRICES. A MODEST INCREASE IN FUNDING MIGHT ALLOW AGENCIES SERVING THE ELDERLY TO AVOID BEING EITHER A CAUSE OR A TOTAL VICTIM OF INFLATION.

And, as outlined above, the need for additional funding also exists in fiscal '79 as well as fiscal '80. Without some extra funding counties such as Nassau County, N.Y. will face devastating cutbacks in legal services, transportation and home care for the elderly.

NACo and county officials across the nation endorse the need to control government expenditures. We caution, however, that this should not be done arbitrarily. A simple no-growth approach overlooks some basic demographic changes that this country is undergoing and fails to deal adequately with the effect of inflation on a group that has traditionally suffered more than any other from inflation--the elderly.

Health

One of the most difficult problems which faces local government in the health area is the continued increase in entitlement payments under Medicaid and Medicare and the consequent drain on funds for prevention and public health funds which have a substantially greater potential for improving health and reducing overall health expenditures. This year, according to CBO statistics,the percentage of the overall health outlays for these two entitlement programs will increase from 83.7 per cent in fiscal'79 to 84 per cent in fiscal'80.

This continuing increase is further exacerbated by the limitations on Title XX which in the past provided alternatives to institutionalization in acute and long-term care facilities.

As part of the effort to stem this increase, we support the President's efforts to place a cap on the expansion of hospital costs, and we are working through the voluntary effort and other means to assist hospitals in voluntarily reducing the inflation in hospital costs. However, we also believe that a concerted effort must be made by Congress to reverse the trend toward institutionalization and to provide increased resources to those programs which function to improve health or provide increased resources to those programs which function to improve health or provide alternatives to high cost institutionalization.

SINCE THERE ARE SOME 1,500 LOCAL HEALTH DEPARTMENTS, WE ARE PARTICULARLY CONCERNED WITH THE PREVENTION ASPECTS OF THE PRESIDENT'S BUDGET. THE CUT IN GENERIC PUBLIC HEALTH SUPPORT (SECTION 314D) OF THE PUBLIC HEALTH SERVICES ACT) IS PARTICULARLY TROUBLING IN LIGHT OF THE FACT THAT IN THE HEALTH SERVICES AND CENTERS AMENDMENTS OF 1978 CONGRESS FOR THE FIRST TIME RECOGNIZED THE NEED TO PROVIDE THIS SUPPORT. FURTHER, THE DIVERSION OF NEEDED PUBLIC HEALTH FUNDS INTO "INITIATIVES" SUCH AS SMOKING, TEENAGE PREGNANCY AND OTHERS ONLY SERVES TO FURTHER COMPLICATE THE PROBLEM OF SERVICE DELIVERY AT THE LOCAL LEVEL.

FINALLY, WE STRONGLY SUPPORT THE INCREASED EMPHASIS WITHIN THE BUDGET ON HEALTH MAINTENANCE ORGANIZATIONS, COMMUNITY HEALTH CENTERS AND THE NATIONAL HEALTH SERVICE CORPS. THESE, ALONG WITH THE OTHER CHANGES PROPOSED AS PART OF THE OVERALL PROGRAM TO REFORM HEALTH CARE SERVICE AND DELIVERY, REPRESENT AN IMPORTANT ATTEMPT TO DEVELOP INNOVATIVE AND MORE EFFECTIVE SERVICE DELIVERY MECHANISMS.

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE. NACO LOOKS FORWARD TO WORKING CLOSELY WITH YOU IN THE FUTURE. I WOULD BE HAPPY TO ANSWER YOUR QUESTIONS.

LETTER FROM WILLIAM F. O'DONNELL, MILWAUKEE COUNTY EXECUTIVE

March 9, 1979

Mr. Bernard Hillenbrand
National Association of Counties
1735 New York Avenue, N.W.
Washington, D.C. 20006

Dear Mr. Hillenbrand:

The 96th Congress is considering two important budget bills concerning the Comprehensive Employment and Training Act (CETA) program. Changes proposed by the President would have a seriously detrimental impact upon Milwaukee County's successful welfare reform effort - the Work Assistance Program. I would respectfully urge that you do whatever possible to maintain the current levels of Public Service Employment (PSE) funding.

One might be tempted to ask how a decrease in CETA funding could hamper welfare reform efforts. Allow me to explain.

In 1977 Milwaukee County faced a serious welfare crisis. Our General Assistance (GA) relief program, totally funded with local property tax dollars, was budgeted at $9 million for that year. By July, County Welfare Department officials were requesting an additional $3 million appropriation, and estimating that it would cost approximately $15 million to operate the GA program for the entire year, due to a projected climb in the GA caseload. This was most puzzling. The GA caseload was made up of a considerable portion of young people, who were unmarried and had no children. The local economy was growing stronger and work opportunities were plentiful. So why was this population skyrocketing while unemployment figures continued to decline? We surmised that there were two basic reasons.

Many participants were apparently using the $154 per month General Assistance payment as a supplement to some other source of income. Others were among the hardest of the hard-core unemployed — individuals who had little or no formal work experience, and who had come to accept a government handout as some sort of right. The very nature of the GA program discourages individuals from becoming self-supporting. I could not in good conscience continue to spend the taxpayer's hard-earned dollars to support able-bodied individuals who did not wish to work. And I was determined to structure the local welfare delivery system in such a way that it would serve as a transitional phase for clients and not a way of life. It was obvious that incentives were needed to successfully channel GA recipients into the local workforce. That's where the CETA program came in.

As the local prime sponsor for CETA I was able to direct the development of a program that used Federal CETA dollars. Through innovative utilization and combination of CETA funds, Title XX Social Service funds, and local tax dollars we were able to establish the Work Assistance (initially known as "Learn-to-Earn") program. Work Assistance was predicatd upon the belief that individuals who received public financial assistance should be required to accept a job, or enter a training and job search program.

Since July, 1977, individuals who apply for County general assistance relief benefits are referred to the Work Assistance Program. The program consists of a consortium of local non-profit social service and rehabilitation and training agencies, ably leed by the local Jewish Vocational Service. Some individuals who are referred to the program are, for one reason or another, unable to participate. Consequently we still operate a limited General Assistance program. However, the GA caseload is now down to a regular monthly caseload of about 600 persons, an almost unbelievable decline from the 1977 caseload of over 6,000 per month.

Work Assistance consists of skills screening, education, training, and supported work designed to help the participant achieve economic independence. Those participating spend time in classroom activities and job search. They are required to participate for about 22 hours each week, and are paid the federal minimum wage. CETA funds are used to pay participant salaries.

Approximately 80% of the participants are between 19 and 44 years of age. About two-thirds are minority group members, and over 60% have not completed high school. It is not an easy population to work with, but after a year and a half of operation, I believe that we can truly call Work Assistance a success.

Several thousand individuals have refused to participate and were removed from the public welfare rolls. Approximately 2,000 other individuals left the program voluntarily, having found other means of non-government support. More importantly, approximately 1,300 Work Assistance Clients, or 25% of those participating during the last eighteen months, were placed in unsubsidized private sector jobs. The placements occurred in nearly 150 job categories, at an average salary of $600 per month. That is $445 per month more than the individuals would have received from the County's relief program!

During 1978 approximately $11.5 million was spent to operate Milwaukee County's Work Assistance Program. Nearly 40% of that was provided by federal CETA funds, and therein lies the problem. The President's proposed decrease in Public Service Employment (FY 79 CETA) Supplemental Appropriations bill and FY 80 CETA Appropriations bill funding would eliminate approximately 150,000 PSE job slots nationally. The corresponding decrease in Milwaukee County's CETA allocation could seriously jeopordize the success of the Work Assistance Program.

It is my understanding that the administration has decided to hold off on its federal welfare reform proposal until at least 1980. Considering the magnitude of the problem and the interests involved that is understandable. That is no reason, however, to thwart welfare reform at the local level. The proposed cuts in CETA would do precisely that in Milwaukee County.

We have made jobs the cornerstone of our local welfare reform effort, and it is my understanding that the President's reform package will propose the same. Additionally, the Work Assistance Program closely adheres to the mandate of the new CETA legislation by targeting employment to the most seriously disadvantaged. Additionally, Work Assistance has lessened the participants reliance upon government , helping them to become self-supporting.

The experiment that we have conducted in Milwaukee County for the past eighteen months proves conclusively that welfare reform is possible at the local level when sufficient federal resources are provided. We need CETA dollars to keep the Work Assistance program functioning. These funds provide participants with the necessary

transition from public to private employment, and that is what has made the program a success. In the interest of sustaining this worthwhile program, I would again ask that you do all in your power to maintain current PSE funding levels.

Sincerely,

William F. O'Donnell
Milwaukee County Executive
CETA Prime Sponsor

LETTER FROM CURTIS HARDMAN, KANAWHA COUNTY EMPLOYMENT AND TRAINING ADMINISTRATION

March 9, 1979

Mr. Jon Weintraub, Associate Director
National Association of Counties
1735 New York Avenue, N.W.
Washington, D.C. 20006

Dear Jon:

I understand from talking with Megan Murphy, that the Senate is considering or will be considering a 465 million dollar cut in Title VI funding for fiscal year 1979.

A cut of this magnitude (24%) would impact drastically on our employment and training efforts. In real numbers, it would mean a loss of some thirty-five (35) Title VI jobs: jobs through which badly needed public services are being provided as well as support services to the disadvantaged. This comes right on the heels of a 26% cut in Title VI slots in fiscal year 1978 in our County.

I cannot accurately gauge the impact in terms of possible lawsuits and it will certainly cause some difficult situation with community based organizations.

A proposition of this nature (50% cut in the two fiscal years) would certainly work undue hardships and havoc on our program.

Sincerely,

Curtis Hardman, Director
Kanawha County Employment and
Training Administration

LETTER FROM DENNIS L. HRON, CHAIRMAN, QUAD COUNTY CET CONSORTIUM

Like many prime sponsors, our consortium has ridden the roller coaster of Title VI funds over the last two years. At the peak of economic stimulus days, 800 of our residents worked at Title VI PSE jobs. Today, we have 340 people enrolled.

This year, with careful planning and the use of discretionary funds, we are able to provide the training and assistance they need to compete in securing permanent employment. However, it is estimated that the proposed $465,000,000 nationwide cut in this year's funds could reduce our program by 60%. We need $1,400,000 for the last half of this year to carry out our plan. That plan includes:

- gradual reduction in enrollment
- provision of training as required by law
- avoidance of any massive lay offs
- completion of special projects already promised
- intensive placement efforts to the private sector

Obviously, any fund loss this late in the year will disrupt all training programs, as well as cause immediate lay offs. We much prefer the spending of federal funds to move people into regular employment than to the payment of unemployment insurance benefits. Most Title VI workers are in PSE jobs for good reason. Lay offs, with automatic eligibility for unemployment compensation can only encourage an attitude against the work ethic we are trying to instill.

I urge you to consider very carefully any action that may seem to be economical at the moment. The Quad Counties Executive Committee of which I am chairman, my staff and I stand ready to answer any questions you may have or to describe in greater detail our plans for Title VI participants.

Respectfully,

Dennis L. Hron
Chairman

ISSUES RELATED TO PSE CUTBACK

Quad Counties Title VI Status

Enrollment-

3/31/78	753
9/30/78	534
12/31/78	343

Current Monthly Spending - $233,333

Plan for 4/1/79 to 9/30/79 - $1,400,000

Local Impact of $465,000,000 cut - $819,000

Programming for $581,000

Mandated Training	59,000
Special Project Obligation	60%
Resulting layoff deadline	9 weeks or June 1, 1979

Timing

A 24 percent decrease in PSE funding effective 6 months into the program year would actually decrease funds available to Quad Counties CET Consortium for the remainder of this Fiscal Year by 59%. This would occur at a time when PSE has just begun stablizing following drastic funding cuts in October. While larger counties, such as Anoka and Washington may possibly be able to absorb such a decrease and still run a viable PSE program, smaller counties such as Scott and Carver would most likely discontinue any PSE programming.

Loss of Credibility

A productive planning process requires cooperation from many resources. Indeed, this cooperation as mandated in the new CETA legislation requires prime sponsors to be lead agencies in promoting cooperation and coordination. Abrupt and unexpected decreases in funding, such as the proposed PSE cutback, lessen CETA's ability to coordinate. It forces prime sponsors to reduce service levels, end programs prematurely, eliminate service components, alter cooperative agreements, negate negotiated contracts, and put hiring freezes on CETA programs. These actions wipe out months of planning and work to establish beneficial relationships with outside agencies. Schools, community organizations, and employers, both public and private, simply do not want to expend time and energy developing programs or job slots when there is no assurance that money will be available.

LETTER FROM LARRY G. BUBOLTZ, DIRECTOR, RURAL MINNESOTA CEP, INC.

March 9, 1979

The Honorable David Durenberger
United States Senator
353 Russell Office Building
Washington, D. C. 20510

Dear Senator Durenberger:

It has come to my attention that Senator Lawton Chiles of Florida will be offering an amendment of recision to the FY 1979 CETA budget authorized for Title VI that would, in effect, decrease that funding by approximately 24.5%.

I believe you should be aware of the fact that if such action is taken, it would cause enumerable problems for CETA prime sponsors in the State of Minnesota. These problems could include law suits over obligated money to a variety of subgrantees and a further deterioration of public image of the CETA prime sponsors. In the 19 county area served by Rural Minnesota CEP, we would immediately be faced with the termination of 366 enrollees in Title VI. Since our guidelines have always given priority to heads of household with dependents this action would effect a far greater number than that and would be disasterous in my estimation.

I would be most happy to answer any questions you have regarding this issue. Your consideration will be appreciated.

Sincerely,

Larry G Buboltz

Larry G. Buboltz, Director
RURAL MINNESOTA CEP, INC.
Chairperson, Minnesota
Association of Prime Sponsors

LETTER FROM VICKIE O'QUIN, DIRECTOR, ARAPAHOE COUNTY EMPLOYMENT AND TRAINING CENTER

March 11, 1979

Mr. John Weintraub
National Association of Counties
1735 New York Avenue, N.W.
Washington, D.C. 20006

Dear John:

The recently introduced amendment to cut 465 million dollars out of the present fiscal year PSE budget would pose significantly serious problems for prime sponsors. This amendment represents a 24% cut in PSE activity for the duration of this fiscal year.

If this amendment was adopted, it would have devasting effects for prime sponsors in meeting their contractual committments for the duration of the fiscal year, and would result in massive lay-off in the PSE program. The prime sponsors within the State of Colorado plan to serve a total of 13,471 individuals this fiscal year. If the program was cut, we would not be able to maintain this level of activity. It is estimated that over 3,200 individuals would have to be immediately laid off.

This action could result in potential lawsuits from our subgrantors, as we would not be able to maintain our present contractual committments, and would jeopardize our working arrangement with our community based organizations.

In Arapahoe County, individuals who apply for welfare are first provided job opportunities. PSE positions have enabled the CETA program to provide job opportunities for individual who would otherwise be on the welfare roles. Because of this approach, Arapahoe County has realized a 23.6% reduction in welfare claims in the last six months. If we're to realize a reduction in the public service employment program, the welfare claims would increase proportionately.

This amendment would place prime sponsors in an untenable position and would certainly jeopardize the quality of service that the prime sponsors in Colorado are committed to.

Sincerely,

Vickie O'Quin
Director

LETTER FROM R. C. POPPLEWELL, DIRECTOR, TARRANT COUNTY PERSONNEL AND CETA ADMINISTRATION

March 12, 1979

Mr. Jon Weintraub
Manpower Project Director
NACO
1735 New York Avenue, N.W.
Washington, D.C. 20006

Dear Jon:

I urge NACo to strongly oppose the Chiles amendment and any future proposed mid-year funding cuts. Once CETA prime sponsors have received notice of funding levels and submitted appropriate plans, an entire sequence of events has been triggered to implement within fixed time frames a very complex set of obligations through carefully planned activities. These activities are funded to the dollar, equitably proportioned throughout each quarter of the year in such a manner as to include this year, already realized Title VI funding reductions, reduced allowable carry-forwards, and plans to obtain the desired service level at the close of the fiscal year. Within such plans are contracted obligations and future assumptions about the funding levels of sub-recipients and even work-site slot levels of PSE positions for public agencies that deliver needed community services in a year of slashed budgets. A proposed cut in Title VI funding of some 20 per cent to 25 per cent would force this prime sponsor to make immediate revisions in plans which would lead to inevitable lay-offs within vital organizations locally and place the PS in a liable position of not being able to deliver upon good faith derived contracts which were prudently negotiated under reduced funding levels to begin with. Immediate revisions of service plans are paled by the long-term implications of such after-thought cuts. Serious damage is likely to be inflicted upon the credibility of the CETA system in the eyes of users who are already watching closely the "new image" of the new CETA. Additionally, immediate revisions in spending plans will forecast an even more barren future late in the program year when a precipitous decline in available funding will be magnified into freezes and other practices that will cut deep into service delivery capabilities of local government and other public organizations who rely heavily on immediate availability of previously committed CETA help. Such "plans" will undoubtedly revive the ire of such organizations relevant to the much publicized and yet mistaken image CETA acquired during the reauthorization period. To plan under the constant threat of cutbacks from such a recent authorization is intolerable. Such an approach by Congress causes phenomenal problems at the local level for local officials. I cannot believe that those who support such proposals have conferred with the local level of users outside of the prime sponsor government who has obviously been avoided for comment.

I appreciate NACo's efforts to continually apprise prime sponsors of such detrimental proposals, and hope that through the concerted cooperation of primes and interest groups, we will successfully stop such attempts and proceed on with the vital business of delivering needed services within a procedurally approved plan associated with fixed, unfluctuating funding levels.

Respectfully,
R.C. Popplewell
R.C. Popplewell

LETTER FROM MERCER COUNTY CONSORTIUM SERVICES, INC., PENNSYLVANIA REGIONAL GOVERNING BOARD

TO: Jon Weintraub

FROM: Mercer County Consortium Services, Inc., Pennsylvania
Regional Governing Board
Clarion County - Commissioner Thomas Armagost
Crawford County - Commissioner Harry T. Kerr
Forest County - Commissioner William Snyder
Mercer County - Commissioner Peter Joyce
Venango County - Commissioner Lewis Judson
Warren County - Commissioner Thomas Donnelly

Impact for over 6 County Consortium, if the Chiles Amendment is passed:

Approval would virtually service to cripple the Title II-D and Title VI Program in our 6 counties. Because of over-expenditures as of September 30, 1978, which resulted from DOL mandated Numbers on Board without regard to cost and dollars available, a cutback from 1,500 to 750 slots was required as of October 1, 1978. There will be a further cutback of an additional 100 during FY'79. If the PSE allocations are reduced, our Consortium PSE programs would be completely closed down as of April 30, 1979.

LETTER FROM ALLEGHENY COUNTY, PA.

Allegheny County would like to take this opportunity to comment on the impact that the Lawton Chiles amendment to reduce Title VI public service employment spending will have on this county.

A 24% reduction would give us $9,873,016 as the final FY'79 allocation. Instead of the $6,688,894 needed for the second half of FY'79 we would have available $3,571,100 or 53% of the expected amount. Allegheny County planned to do little or no hiring for the remainder of FY'79 since, all available funds were needed to sustain participants currently enrolled to the end of their allowable time in the program. The reduced allocation would force us either to terminate approximately one half of our own on board participants on March 30th or 75% of them three months before the end of the fiscal year.

Need we point out what effect such unanticipated reductions would have on program management and planning? In addition to the effect that such a mass termination would have on transitions to use subsidized employment and thus on the local unemployment rate, it would totally undermine our credibility with the community based organizations and social service agencies which presently employ over 80% of our Title VI public service employment participants. The effect on social services in this county would be devastating. Following on the heels of previous changes in CETA legislation, this new reduction could spell the death knell of community based organizations as well as of an effective PSE program in Allegheny County.

LETTER FROM BARBARA L. MONAHAN, MANPOWER DIRECTOR, HEARTLAND MANPOWER CONSORTIUM

In an analysis of the effect a twenty-four percent immediate reduction in Title VI funds would have on our five-county consortium area, the following is the prognosis:

1. It would eliminate approximately 18 new projects which have recently been contracted by the Prime Sponsor causing cancellation of these contracts and layoff of the newly enrolled participants.
2. It would very likely prevent the 54 projects currently in operation from completing planned objectives by shortening their planned time duration, requiring cancellation or modifcation of the contracts and subsequent layoff of the participants.
3. It would jeopardize other existing projects from being completed due to insufficient funds already authorized and obligated by the Prime Sponsor to purchase necessary supplies and equipment as projects proceed on schedule.
4. It would eliminate fifty-seven (57) regular PSE positions which are currently filled and contracted by the Prime Sponsor, again requiring cancellation of contract.
5. It would eliminate one hundred twenty five (125) projects positions requiring cancellation of contract and layoffs.
6. In total, in would cut 182 positions in Title VI in an area of substantial unemployment with the peak months of unemployment soon approaching the area.
7. The integrity of the Prime Sponsor would be damaged in that not only many participants who thought they had jobs would be layed off but all existing contracts would have to be either modified or cancelled altogether. The new Rules for PSE have hindered the Prime Sponsor from effectively working with the employing agencies but to add a change of funding in the middle to a transition year will be an extreme hardship to Prime Sponsors who have contracted these funds in good faith.

LETTER FROM JACK MOSS, COMMISSIONER, BROWARD COUNTY, FLORIDA

TO: Jon Weintraub

FROM: Commissioner Jack Moss, Broward County, Florida

The Broward Employment and Training Administration (BETA) is a consortium established by the cities of Fort Lauderdale, Hollywood and the Broward County Commission. BETA receives and administers CETA funds for the Broward County, Florida area which has a population of approximately 1,000,000 permanent residents.

For fiscal year 1979 BETA received $19,000,000 for Title VI Public Service Employment:

The amount includes the fiscal year 1978 carry-in funds, base allocations for fiscal year 1979, and discretionary funds awarded for fiscal year 1979 ($3,820,000 discretionary funds).

If the proposed $450,000,000 (12%) cut in Public Service Employment funding is implemented it will mean that BETA will have to deobligate $2,280,000 in contracted funds. This can only be accomplished in the third and fourth fiscal quarters since we are about to complete quarter two.

BETA estimates that we will have spent the following amounts by the end of the second fiscal quarter which concludes on March 31, 1979.

Based on these expenditures, BETA will be left with $9,000,000 to spend for the third and fourth fiscal quarters (from the original $19,000,000 funding budget which includes base and discretionary monies).

If the proposed 12% decrease in Public Service Employment funding is implemented, BETA will have to reduce its planned budget for fiscal quarter three and four from $9,000,000 to $6,720,000.

$9,000,000	Planned Budget for Fiscal Quarter three and four
2,280,000	12% decrease in Total VI funds
$6,720,000	BALANCE

In order to decrease our PSE contract expenditures by $2,280,000 for the third and fourth fiscal quarters, BETA would effectively have to deobligate our current contracts by 25%!

The following is an estimation of the effects such as action would have:

1. Approximately 378 of the 3,150 people currently working in Public Service Employment (in Broward County, Florida) would have to be immediately terminated from the program. This sudden loss of jobs for the effected PSE participants would cause havoc in their family incomes, and increase AFDC; SSI; VC and related Public Assistance.

2. The twenty (20) municipalities with whom we contract would have to substantially reduce and in many cases eliminate PSE funded services providing for special transportation for senior citizens, juvenile offender projects, recreational activities, beautification programs and improvements in existing municipal services.

3. The several state and county agencies that receive PSE funding from BETA would also have to substantially reduce and in many cases eliminate PSE funded services for such activities as mental health, displaced homemakers, children's assistance, alcohol rehabilitation, senior citizens' programs, consumer planning, veterans' outreach, energy conservation and traffic engineering.

4. The sixty (60) social service agencies which receive BETA PSE funds would likewise have to substantially reduce and in many cases eliminate PSE funded programs for senior citizens, the handicapped, youngsters, families in crisis, drug victims and in indigent. Thousands upon thousands of people are presently receiving services made possible through Public Service Employment funds, since BETA has always reserved 1/2 of its PSE funds for such "Human Services".

I respectfully submit to you that the proposed massive and untimely reduction in Public Service Employment funding can only cause chaos for the hundreds of Public Service Employment participants who will immediately find themselves without jobs, the hundreds of thousands of individuals who will no longer benefit from needed PSE funded services and the Agencies (including many CBO's) whom we presently fund. I strongly urge for your reconsideration of this matter.

LETTER FROM STEVE HOWARD, EMPLOYMENT AND TRAINING MANAGER, HOUSTON-GALVESTON AREA COUNCIL, HOUSTON, TEX.

March 9,1979

Mr. Jon Weintraub
Associate Director
National Association of Counties
1735 New York Avenue N.W.
Washington, D.C.

Dear Jon:

I understand that there will be a vote in the Senate next week to reduce funding for CETA Title VI public service jobs by $435 million for this fiscal year. I would like NACO to be advised of the adverse impact this action would have on the eleven county Gulf Coast Employment and Training Consortium's programs.

The most devastating impact on this kind of reduction will be on the CETA programs' credibility, both with local government and with participants. This past year was one of considerable uncertainty for those who have participated in CETA programs. First we were told to rapidly increase public service employment. Then we were told to freeze enrollment; and finally our prime sponsor almost exhausted all funding before Congress approved continuation of CETA.

This year, with CETA extended and funding allocations apparently set for the entire year, we have attempted to more rationally plan our public service jobs program. This proposed funding cut, coming in the middle of the year, would disrupt contractual committments we have made to local governments in the Consortium, leaving us exposed to possible legal action. Even more disheartening is the impact on participants. I estimate that about 100 participants would have to be terminated earlier than planned Because of the more certain funding this year, and the clear, prescribed limits on participation many of our local governments have built into their local budgets funds to continue CETA participants as of October 1, 1979. Instead, a funding reduction could mean participants would be let go before local governments would have funds to absorb them.

Despite the stories published about some CETA programs, this prime sponsor is not sitting on a large amount of surplus funds. Therefore, a fund reduction this year would adversely affect us. I hope NACO can determine if this will be the same elsewhere so that the Congress can make an informed decision.

Sincerely,

Steve Howard

Steve Howard
Employment and Training Manager

MEMORANDUM FROM STEVE MANSUR, DIRECTOR, OUACHITA PARISH POLICE JURY, MONROE, LA.

We are on schedule with our spending rate in Title VI and are on schedule with our planned enrollment. If we were to be cut back 24% of our funds, we would have to cut back 24% of our slots. Our present slot level is 308 in Title VI as of February 28, 1979. This level would decrease to 234 or a loss of 74 slots. This would be a tremendous lay-off for the CETA program. This lay-off of CETA slots would almost certainly dictate a lay-off of permanent staff positions as well.

If there is anything that can be done to keep this cut back from occurring, we would appreciate any effort you can make.

Enclosed, please find a list of worksites and organizations which would be affected by this cut back.

Agencies Affected By Layoffs

AGENCIES	NO. OF SLOTS
Community Based Organizations	
Boys Scouts	1
Council on Aging	3
Tri-District Boys Club	2
Community Action Program	7
Sickle Cell Anemia Office	1
West Monroe Boys Club	2
Retired Senior Volunteer Program	2
Youth House	3
Opportunities Industrialization Center	1
	(22)
Local Government Agencies	
City of West Monroe	10
City of Monroe	11
Ouachita Parish Police Jury	11
	(32)
School Boards	
Ouachita Parish School Board	10
Monroe City School Board	10
	(20)
Total	74

LETTER FROM JOHN P. O'KEEFE, EXECUTIVE DIRECTOR, BERKELEY, CHARLESTON, DORCHESTER COUNTIES, MANPOWER PLANNING COUNCIL

The proposed mid-year cut in Public Service Jobs would mean that one hundred and thirty-two (132) persons currently employed under the Public Service Employment Program in Charleston County would have to be laid-off. This would have the effect of ending a good number of the Title VI Projects that are currently underway in response to the Government's 1977 request that CETA Prime Sponsors raise the Public Service Job level to seven hundred and twenty-five thousand (725,000) jobs. Based on currently published allocations of funds under the two (2) Public Service Employment titles of the Act, Charleston County has assured its sub-contractors that the current level of PSE funding and job strength would remain in effect through September 30 of this year. A reversal of that assurance would severely damage the Prime Sponsors' credibility in dealing with public and private non-profit agencies in the community both now and in the future and have a damaging effect on all CETA-sponsored programs.

John P. O'Keefe
Executive Director
Berkeley, Charleston, Dorchester Counties
Manpower Planning Council

Gwinnett County, Georgia

Working with more than 60 community representatives, Gwinnett County, Ga., submitted its plans to overhaul the local CETA operation at the end of December. They absorbed a 36 percent cut in Title VI programs compared to last year. Right now, all regular PSE jobs in both Title II-D and VI are filled; agreements have been signed for Title VI projects and hiring is underway. On April 2, Gwinnett County is scheduled to start a new effort that will send every participant in PSE and work experience to school one day a week.

The proposed cuts would seriously weaken the new training plan and would force the county to void ~~between~~ 18 work site agreements already signed with community service agencies. Plans for two or three new projects would have to be abandoned just about at the time of completion.

Alaska Balance of State Prime Sponsor

Alaska has the highest unemployment rate in the nation. Statewide unemployment during the month of December was 11.4%. The unemployment rate in the balance State was 15.5%. Given this high jobless rate any cut in CETA funded public service employment will be detrimental to the state in terms of lost productivity and the additional welfare cost of assisting those individuals who do not work. In addition a PSE cut this fiscal year places Alaska prime sponsors in a precarious legal situation due to outstanding contractual obligations. For thes reasons the Balance of State prime sponsor is opposed to any attempt to cut PSE in this fiscal year.

CETA RECOMMENDATIONS

Mr. WEINTRAUB. We are here to discuss several issues: CETA fiscal relief, title X, older Americans and health programs as major county priorities in the 96th Congress. As far as CETA is concerned, we are particularly concerned in terms of the cuts in the President's budget, both for summer jobs for young people and ignoring the congressional recommendation for countercyclical public service jobs.

If I can continue to highlight, our recommendations in the CETA area are: One, forward funding for all CETA titles; two, at a minimum, we support the current title II, A, B, and C level as recommended by the President of $2.105 billion. We still support title VII which authorizes the new private sector initiatives. However, I would like to point out to the committee that CETA prime sponsors and local business communities are getting ready to implement this program in order to plan effectively and not turn off the commitment of the business community.

The CETA system needs a clear signal from the Congress, particularly the appropriations committees, as to when these funds will be available. We need to know in order to effectively plan whether those funds are likely to come in June, September, or October.

YOUTH PROGRAMS

As far as youth programs are concerned, we're quite concerned, despite the overall increase of $80 million, that programs for 8- through 14-year-olds are eliminated in the President's budget request as well as 250 million summer jobs for youth—250,000, excuse me.

At the same time, CBO is projecting an unemployment rate of 6.8 percent and the administration's own unemployment rate is 6.2 percent.

We remind you that in addition to these cuts for youth that the President wiped out CSA's, summer youth sports, and recreation programs that have been funded at a constant level for the past 3 years.

PUBLIC SERVICE JOBS

With regard to title II–D, public service jobs for the structurally unemployed, we support the President's level of 267,000. We would like to suggest that in drafting your report, accompanying the appropriations bill, that you insure prime sponsor flexibility as authorized to place individuals in jobs and/or training, depending on the clients' needs and preferences, rather than being bound by artificial limits established by the Department.

In speaking to the title VI provisions, we want to point out for your consideration that despite the present downturn in enrollments in public service jobs, we feel that that downturn should be put in the context of congressional action. As we know, the CETA amendments did not become law, nor did the continuing resolution, until late October.

The new law completely transformed the way of doing business. It required a variety of systems changes at the local level, and these changes are massive.

We'd also like to point out to the committee that because of the 12-month enrollment extension which would become effective on September 30 of this calendar year, we are likely to see another one time drop-off in enrollments. So let's not treat that as another surprise, but as performed by the law.

We'd like to emphasize that NACO was opposed to Senator Chiles' amendment when the full committee marked up the rescission bill and attached to this statement are letters from around the country indicating the impact on job levels of that potential cut.

With regard to welfare reform, counties in the 18 States that administer welfare programs, serve over 50 percent of the AFDC clients. Those counties and those States need relief from the large expenditure of property tax revenues on welfare programs.

We reject the administration's contention that providing fiscal relief now for counties and States like Minnesota, Ohio, New York, California, Colorado, et cetera, would soften our push to achieve welfare reform.

SOCIAL SERVICE PROGRAMS

With regard to social services, we'd like to point out the need for a normal cost-of-living increase for the various social service programs. We would like to highlight that that did not occur in the President's budget.

With regard to the Older Americans Act, we feel similarly that cost-of-living increases were not taken into account with the President's recommendations of funds for the elderly. Our recommendations include or are focused on the service titles like social services, meals, and jobs. We feel that a simple no growth approach toward programs for the elderly ignores basic demographic changes that are occurring in this country and fails to deal with the effect of inflation on a group that has suffered more than any other from inflation, the elderly.

EFFECT OF INFLATION

Senator Eagleton. What about the effect of an increased Federal deficit on inflation?

Mr. Weintraub. Well, we are concerned about balancing the budget. If I can reply to the question that you asked the previous witnesses in terms of possibly where to cut, if that's a similar——

Senator Eagleton. We'll get to that in a minute. You said you are talking about older Americans. That is also within my jurisdiction. I'm chairman of on the Subcommittee on Aging. You referred to the effect of inflation on older Americans; no area does it impact more heavily or more cruelly than on the elderly. I concur with that.

But I was wondering, in listening to your presentation, whether you are taking into account the effect of a Federal deficit. Have you run a tape on all of your recommendations that you're making to us this morning? Have you added them up? What are the gross dollars that you're recommending in increased Federal spending as a result of your testimony?

Mr. Weintraub. I could quickly do that for you.

Senator Eagleton. It's in the billions, isn't it?

Mr. Weintraub. It's probably just under $1 billion, I think, sir.

Senator Eagleton. The whole package?

Mr. Weintraub. Yes, sir.

Senator Eagleton. Go ahead.

HEALTH PROGRAMS

Mr. Weintraub. With regard to health programs we are facing a similar situation as we are within the welfare area. Local governments are faced with continued increase in entitlement payments under medicare and medicaid and the consequent drain on funds for prevention and for public health expenditures.

We've supported the President's hospital cost containment bill and intend to work on that in this session of Congress. We are concerned with the cut in generic public health support, section 314(d) of the Public Health Services Act.

In summary, then, Mr. Chairman, I'd like to thank you for the opportunity to appear before your subcommittee. We look forward to working with you on your bill, and would be happy to answer questions.

Senator EAGLETON. I know you represent NACO, and that's the county legislators, county executives, and the like.

Mr. WEINTRAUB. Yes, sir.

STATE SURPLUSES

Senator EAGLETON. What data do you have as to the amount of accumulated State surpluses? Do you have any data on that, what the accumulated surplus of States are?

Mr. WEINTRAUB. I don't.

Senator EAGLETON. Did you take into account the amount of State surpluses and should you take into account the amounts of money or proposed tax cuts that they are contemplating at this time? States apparently have more money than they know what to do with because there's a feverish rush to cut State taxes.

Apparently, you've got surplus funds just lying idle, so why shouldn't the Federal Government transfer some of its obligations, since we're in a time of sizable deficits, since the States have this money that they don't even know how to spend.

Mr. WEINTRAUB. I understand your point, sir. I would suggest that the data would prove that those balances are unequally distributed among certain States.

Getting back to the welfare issue, when Proposition 13 hit the State of California, one of the decisions on the part of the California Legislature was to bail out the local match on welfare. Now, local governments, county governments, in California will be up against the wall and really feel the first hit, so to speak, of Proposition 13, should that bailout not continue.

CETA SPENDING

Senator EAGLETON. The administration has just completed its midyear review of its budget estimates. According to those estimates, CETA spending is down $600 million below previous estimates. Do you agree that we could therefore cut the fiscal 1980 budget by $600 million to get rid of the excess unspent funds?

Mr. WEINTRAUB. I'd be happy to speak to that. First of all, let's understand where that excess is coming from. It's approximately, as I understand, a 30-percent lag in spending. On April 1 of this year the Secretary of Labor through the regional offices will sign grants that will for the first time commit the 15-percent discretionary money. That is half of the lag.

Local prime sponsors have not had that money under contract and will not have for the first 6 months of the fiscal year. I think that explains half of your underspending because in the letters we've received, both from elected officials and CETA directors around the country, they were very leery of spending at their full rate, including discretionary money, since they were getting continued mixed signals from the emergencies as to when and if that money would ever be committed, even though they were given or assigned an amount. That's one area.

Secondly, I think it's fair to say that until the Department comes out with methods for verifying eligibility, given the fraud and abuse language in the new CETA law where you can be fined up to $10,000 and put in jail for 2 years, no staff person or elected official wants to implement the hiring process until he or she knows under what conditions audits will be made.

That procedure has still not been released by the Department. The third point, if I may, and then I'll stop, is the average wage issue. When the Congress looked at this—and this was something really dumped on the CETA bill by the House as opposed to the Senate—there are 38 States where 50 percent or more of the prime sponsors have an average wage below $7,200.

There are simply few if any jobs, either in the public sector or in community-based organizations where you can place people in entry level jobs and maintain that average wage. With all due respect, we need to go back and look at that and see if that can be adjusted in any way because if you look at the end product, namely, transition into a permanent job, you are hurting the possibility for transition when you look at the data that transition in cities and counties across the country has a 2-to-1 better placement rate in permanent jobs over community-based organizations.

If you are destroying the possibility of creating those jobs in local governments, you also have to look at the end products, namely, transition.

Senator EAGLETON. Go ahead, Senator Burdick.

BUDGET CUTS

Senator BURDICK. Thank you for your testimony, and I listened with great interest. I heard the response when the chairman asked you where we are going to cut this budget in terms of inflationary pressures. You were about to say you knew someplace to cut it.

I'm interested to know where.

Mr. WEINTRAUB. First of all, what NACO is doing when it took the first step at our legislative conference, which occurred last week, sir, is that each of our 12 steering committees which establish policy for our organization were told by our president to establish priorities. Those priorities are being voted on by the board, and we will be able to give you a list of what programs are key and where we want funding and what programs we're willing to lay back on.

But if I can add to that, I would strongly recommend that if you're looking for cuts in the DOL and HEW budgets, I would think it would be timely to examine the use of discretionary money on the part of both Departments in all the acts they administer and where in terms of service delivery to clients this discretionary money is getting the best bang for the buck or whether it should be put into direct service to clients.

Secondly, moving on just from a personal perspective, having worked on the Labor bill in the last session of Congress, I remember an article, I think in the Congressional Quarterly, on the amount of Federal funds used by both the executive branch and the various departments to lobby the Congress; and that, if I remember, was a whomping figure. I don't remember offhand exactly the figure, and I realize the subcommittee doesn't have jurisdiction over that, but it's something the Congress could look at. It's several bills. Whether it was three or five, I forget. And I would not like to quote a figure.

Senator BURDICK. I'd like you to provide me with that figure for the record.

Mr. WEINTRAUB. We'll try, sir.

[CLERK'S NOTE.—The information was not available at the time the hearing was printed. Any materials received subsequently will be on file with the subcommittee staff.]

POLICY OF THE BOARD

Senator BURDICK. Any other place you'd like to cut?

Mr. WEINTRAUB. As far as our organization is concerned, I'd be happy to supply for the record the results of the policy of our board of directors, and that would further delineate specific programs.

Senator BURDICK. With dollars and cents attached to them?

Mr. WEINTRAUB. I'm not sure exactly what the result of that policy will be, whether they will put dollar figures on it or not, sir.

Senator BURDICK. That's what we're interested in.

Mr. WEINTRAUB. I understand.

FOREIGN AID

Senator BURDICK. Are you a supporter of foreign aid?

Mr. WEINTRAUB. Yes, sir.

Senator BURDICK. You want no bills?

Mr. WEINTRAUB. Our organization is entrusted in money. We have no formal position on foreign aid per se. We've never really taken a position on foreign aid, the defense budget, et cetera.

We look at programs that are internal to this country that affect our residents.

Senator BURDICK. We have to look at a total budget. That's our job.

Mr. WEINTRAUB. I understand that.

Senator BURDICK. I'm sympathetic with you, but you've asked for a billion dollars. I'm just asking where we're going to get it. That's all I'm asking. I hope you can supply as much as you can for the record and to look at it carefully.

Mr. WEINTRAUB. Thank you, sir.

Senator EAGLETON. Supply for the record also the places where you think the discretionary funds of the Secretary of Labor and the Secretary of HEW have been abused and list the dollar amount of that particular abuse or that particular erroneously exercised discretion.

Mr. WEINTRAUB. I'd like to correct a misimpression. I wasn't suggesting necessarily abuse. I was suggesting——

Senator EAGLETON. I chose the wrong word.

Mr. WEINTRAUB. Maximizing services to clients which the bills are authorized to provide.

Senator EAGLETON. OK. Well, I used the word "abuse." I think it was a poor choice. Supply for us illustrations or observations with respect to the use of discretionary funds wherein you think that money could have been better spent at the local level.

[CLERK'S NOTE.—The information was not available at the time the hearing was printed.]

REVENUESHARING

Senator EAGLETON. It's your notion. You represented NACO. You're hired to represent them. Nothing wrong with that. I think what you'd prefer, if we'd just turn everything over on general revenuesharing and let you guys run with the ball.

Mr. WEINTRAUB. Well, I'm sure that our unelected officials certainly have designated general revenuesharing as their No. 1 legislative priority. They also support various targeted programs. But if you're applying anything off against general revenuesharing, general revenuesharing will within their eyes as well as countercyclical, targeted fiscal assistance.

Senator EAGLETON. Thank you, Mr. Weintraub.

Mr. WEINTRAUB. Thank you.

Senator EAGLETON. Ms. Garvin.

STATEMENT OF MARY G. GARVIN

Ms. GARVIN. Mr. Chairman, I appreciate the opportunity to appear today before the Senate Labor-HEW Subcommittee on Appropriations to tell you how important CETA is to increasing job and training opportunities for women. I believe the country is getting its money's worth from apprenticeship outreach programs for women, and I urge you to provide the funds necessary to continue and expand these programs.

Women clearly need training for and placement in good jobs to provide for their families. As of March 1978, about one in seven American families was headed by a woman. And almost one-third of families headed by women live in poverty. More than half of the families headed by black women have incomes below the poverty level. See "Short Changed and Slighted," a paper by the Women's Work Force. Lowpaying, deadend jobs are not adequate for women who must support themselves and their families.

WOMEN IN APPRENTICESHIP PROJECT

I am director of Women in Apprenticeship Project in New York City, funded through New York State CETA under the Governor's special grant. Women in Apprenticeship works with labor management, and communities to place CETA eligible women in nontraditional jobs, both in construction and nonconstruction.

I myself am a product of a CETA program, Women in Apprenticeship of San Francisco, title III, which placed me as an apprentice carpenter in 1974. The problems I later encountered in finding work as an apprentice in New York City led me to start the Women in Apprenticeship Project there. Like its mother program in San Francisco, which is still going strong after 5 years, Women in Apprenticeship in New York City is successfully placing women in good jobs.

In the 6 months since it was funded by CETA, our program has given orientation workshops which are informational sessions on blue-collar work to more than 1,000 women; has individually counseled more than 450 women and has placed 37 women in unsubsidized employment. These 37 include 3 of the first 5 female apprentice electricians and 4 of the first 5 female apprentice plumbers in New York City.

Most recently, this February, 145 of the 151 women who received applications to the carpenters' apprenticeship program in New York City were enrolled in Women in Apprenticeship Project.

We hope to equal the record established by Women in Apprenticeship in San Francisco, which has placed an average of 100 women a year in jobs paying over $5 an hour at a cost per placement of only $600. Similar programs in Denver, Seattle, and Boston are having similar success in training and placing women in good jobs at a low cost to the taxpayers.

Women are eager to be trained and to work in high paying nontraditional jobs. Yet in many cities, particularly in the Southwest, where ample job opportunities exist, there are no outreach programs for women. I urge the Congress to appropriate sufficient funds under titles II and III, not only to maintain the funding levels for existing programs of demonstrated effectiveness, but also to develop more outreach programs for women in those geographical areas where many employment opportunities exist.

Our experience in New York City is that when women are informed of nontraditional jobs and training opportunities they respond enthusiastically. In fact, the response thus far has been double what we anticipated for our whole contract year.

Similar programs around the country have had the same experience.

Women in Apprenticeship Project has received requests from prime sponsors and various New York State agencies for technical assistance in the development of programs and to increase the numbers of women in existing programs. These requests are consistent with the Senate's expressed interest in assuring "that prime sponsors have taken steps to overcome sex stereotyping in all programs."

CETA PROGRAM

I urge the Congress to recognize that funds will be necessary to overcome sex stereotyping within the CETA administration and CETA program. In this connection, the committee should note the outstanding training for Federal CETA representatives and CETA prime sponsors recently completed by the U.S. Department of Labor in region IX.

I want to be clear that nontraditional job placement programs are just one small area where CETA can address the needs of women in this country. The CETA amendments of 1978 specifically mention women, and we have seen women's programs across the country demonstrate the ability to deliver high quality service to poor women.

I want to urge the Congress to insure that sufficient funds are available to serve women under all titles of the act, including but not limited to young women, exoffenders, women on welfare, handicapped women, and displaced homemakers. The Congress should not ask women and women's programs to bear more than their share of any necessary budget cuts.

Again, thank you for giving me the opportunity to testify.

[The information follows:]

Women in Apprenticeship Project
80 Fifth Avenue, Room 1603
New York, N.Y. 10011
(212) 691-1860

PROJECT OBJECTIVES AND SCOPE OF WORK

FUNDING:	June 15, 1978 - June 15, 1979
Source:	N.Y.S. Department of Labor - CETA Title I, 4%
Sponsoring Agency:	State Communities Aid Association -- handles all fiscal responsibility and provides technical assistance.
Amount:	Total $137,127.00 Administration: $73,551.00 Participant Services: $63,576.00 (See cost summary and budget narrative for additional breakdown.)
Staff:	1 Director 1 Office Manager 1 Intake Counselor/Job Developer 1 Recruiter/Job Developer 1 Job Developer/Counselor

CONTRACT GOALS:

Assist approximately 100 participants in selecting an appropriate and potentially successful occupational goal through our Orientation Program and provide those selected participants with counselling, tutorial and other supportive services.

Place 50 women in the following categories:

15 women in apprenticeship programs
10 women in pre-apprenticeship programs
25 women in nontraditional employment

PROJECT SERVICES:

Outreach and Recruitment

W.A.P. recruits women from the five boroughs. As a volunteer organization in 1977, without any formal recruitment effort, over 300 women have come through our office seeking employment and/or training in the skilled trades.

All women enrolled in W.A.P. are economically disadvantaged. Our target groups for recruitment are heads of household and minority women.

Recruits are drawn from: social service and community groups, women's organizations, state and local employment services, high schools and churches.

We publicize the program through: speaking engagements, informal seminars, radio, television and printed media (flyers posted at laundry-mats, day care centers, corner stores, etc.)

Orientation Workshop

Orientation Workshops are informal sessions on blue collar and skilled trade work. Each participant fills out a three-page questionnaire, specifically designed to assist the applicant and W.A.P. staff assess applicants' skills and needs. Every woman entering our program first attends an Orientation Workshop. Childcare is provided when needed.

We provide additional special Orientation Workshops for single parents, Spanish speaking women, employers, etc. as needed.

Screening/Assessment/Counselling

After attending Orientation, applicants make appointments with individual counselors. At this time, CETA eligibility, skills background and career goals, available training/jobs are discussed. We have two lines in our budget that provide additional support here. If the applicant does not have bus/subway fare to get to a job/interview, we can assist her. If the applicant must have a medical examination for entrance into a trade/job and does not have the money, we organize and pay for group medical examinations -- at reduced rates.

Tutorial Program

Those applicants who have completed Orientation and one-on-one interviews and meet minimum qualifications for apprenticeship/employment are tutored for their particular pre-apprenticeship/pre-employment test and/or interview. Tutoring covers basic math, spatial relationships, manual and finger dexterity, basic mechanical principles, basic physics, etc. Each tutorial starts with a pre-test and is specifically designed for entrance into a particular trade/job.

Mock interviews are also performed according to the interests of the union/employer.

Job Development

There are two basic components in the job development efforts: 1) Working within the registered apprenticeship channels; that is, the Region II BAT, the New York State Apprenticeship Council and N.Y.S. Apprenticeship and Training staff, the local JATCs and cooperating contractors and unions; and 2) Working directly with employers (and unions when involved) to develop job commitments for subsidized entry level and/or training positions. The Job Developer/Counselor coordinates the job development function and concentrates on construction apprenticeships. The other two staff concentrates on jobs in non-construction.

Follow-up Counselling/Support Group

After a woman is placed in pre-apprenticeship, apprenticeship or on a blue collar job, we offer her an extensive Follow-up Program. We are in contact with our placement a minimum of once a month for the duration of her apprenticeship/job. Our follow-up services are not limited to the employee. We are interested in working with both the apprentice and the employer/union to ensure a successful working experience.

In addition to follow up initiated by individual counselors, we introduce our placements to one another formulating a Support Group. We offer the Support Group our office to meet in, the resources of the staff to assist them in dealing with the many problems they face on the job.

THE WOMEN IN APPRENTICESHIP PROGRAM

The Women in Apprenticeship Project (W.A.P.) is a pilot program in the five borough New York City area that encourages women to pursue careers in the skilled trades. Since June 15, the project has been funded under the CETA Title I 4% Fund with the sponsorship of the State Communities Aid Association.

Mary Garvin, project director, states that the purpose of the program is to "work with labor, management, and the community to help place women in apprenticeship, pre-apprenticeship, and blue collar jobs." Traditionally, the skilled trades have been male-oriented. W.A.P. focuses on poor women in New York City; and of those, special emphasis is placed on finding employment in non-traditional trades for heads of house holds and minorities.

Several barriers have existed for women interested in pursuing careers in non-traditional fields. Some of these are: women's unawareness of opportunities for employment in the skilled trades; lack of enforcement of the few affirmative action guidelines in existence; and the attitudes of employers and unions towards women in the skilled trades.

To overcome these barriers, W.A.P. offers several services: recruitment, orientation workshops, counseling, tutorial programs, and follow-up counseling. Day care and transportation services are provided to those in need of them. W.A.P. also assists unions and employers in making information about apprenticeship available and in placing qualified women on the job.

The staff of W.A.P. includes a Recruiter/Job Developer, an Intake Counselor/Job Developer, and a Job Developer/Counselor. The recruiter is responsible for explaining the services of W.A.P. to women and interested groups. Recruitments are made through women's organizations, community groups, churches, schools, etc. The intake counselor screens all potential participants and is responsible for Orientation Workshops, mock interviews, and follow-up counseling. The job developer counselor is responsible for overall job development which involves creating jobs that did not previously exist for women, and doing follow-up counseling.

Ms. Garvin, as project director, has the major responsibility of establishing a working relationship with unions, employers, and joint apprenticeship committees. The fact that Ms. Garvin is a journey carpenter herself, gives her leverage in terms of talking to union and management representatives. According to Ms. Garvin "they (labor and management) are looking for qualified workers. W.A.P. can provide them with a qualified work force -- that happens to be women."

Ms. Garvin expects cooperation between W.A.P. and labor and management to improve with two new federal apprenticeship regulations: 29CFR30 and 41CFR60. These regulations require unions and employers to increase the number of women in apprenticeship programs and requires contractors with the federal government to employ women in all phases of construction. In addition, one clause states that the job environment should be harrassment free. According to Ms. Garvin, "Before, there was no pressure from anywhere to think about women, at all, in the Northeast." As the state's apprenticeship regulations are brought up to compliance with the federal regulations, W.A.P. will help educate unions and employers about the laws that are in effect and how they can implement them.

Recently, the Electricians-Local #3 and the Plumbers-Local #2 announced recruitment for apprentices. W.A.P., with two weeks notice, held two orientations for a total of sixty women. These sessions dealt with the myths surrounding apprenticeship and what it is like for a woman to work in a skilled trade. Of the sixty women, seven were interested in pursuing apprenticeship training as electricians and fourteen as plumbers. W.A.P., through the project's counseling and tutorial programs, informed the women of the requirements for entry into the respective apprenticeship programs, and helped women qualify for written and oral exams. Refresher courses in math were offered and, in some cases, familiarization with the tools of the trade and some of its language. Five of the women have been accepted into the apprenticeship programs -- three in the electrician's program and two in the plumber's program.

Once women are placed, W.A.P. conducts follow-ups. Women are contacted a minimum of once a month for the duration of employment. W.A.P. also contacts employers and unions to determined if they are satisfied with the participant's progress. If there are any problems, W.A.P. acts as arbitrator in finding a solution to satisfy both parties.

W.A.P. expects to process one thousand applicants in one year and place approximately one hundred in apprenticeship programs, pre-apprenticeship programs, or non-traditional employment. W.A.P. also expects at least fifty women to stay on the job longer than three months. Currently, W.A.P. has names on file of three hundred women interested in the program.

In September, an open house was held at the W.A.P. office. Representatives of labor, management, and community groups were invited to discuss apprenticeship training with women. Visitors were also introduced to W.A.P. services.

The ultimate goal of W.A.P., according to Ms. Garvin, "is that there be no need for the program"; in other words, that women have equal opportunities for pursuing careers in the skilled trades.

[From the New York Times, June 25, 1978]

HUNDREDS VIE FOR CHANCE AT 550 APPRENTICESHIPS

Equipped with sleeping bags and tents, food and vitamin pills, transistor radios and chess boards, more than 1,000 prospective plumbers and electricians camped out for the weekend on sidewalks in Flushing, Queens, and in Manhattan, waiting to receive apprenticeship applications that will be distributed early tomorrow morning.

But only 550 of the sidewald campers will be chosen to begin separate 4-year training programs under the auspices of the electrical union of the plumbers union. A total of 1,700 applications will be distributed tomorrow.

PROGRESS AGAINST SEXISM

Stretching down Parsons Boulevard in Flushing and around the corner onto 71st Avenue, the line of prospective electricians included the first women to apply for apprenticeships in the history of Local 3 of the International Brotherhood of Electrical Workers. The union has indicated that 100 women will be among the 500 apprentices it expects to enroll by the end of the year.

By 1982, when they become first-year electricians, they will earn $12.85 an hour.

Cynthia Long of Manhattan, who was 64th from the head of the line in Flushing yesterday, said: "This is a once-in-a-lifetime chance. We're making progress against sexism in the trades."

But several women accused a few men in the line of spitting and breaking bottles, apparently out of resentment that the women were "depriving men of jobs."

"We're not taking jobs away if we deserve them," said 19-year-old Vickie Eisen, who took her place in line shortly after midnight Thursday, noting that the apprenticeship included an aptitude test.

Their hopes of high-paying, highly satisfying careers come at a time when construction trades are in a slump, but Jaqui O'Shaughnessy of Women in the Trades, a support-counseling group, said that if work were not available, the union would not be handing out the applications.

"Besides, this training is important for women and minorities who, by and large, have been kept out of the unions for a long time," she said.

The women in the line were kept company by Mary Garvin. Besides serving as director of the Women in Apprenticeship Program, which recruited many of the women in the lines, she said she was the first female journeyman carpenter in New York City.

Miss Garvin's diploma, which she received last week, "talks about the carpenter and 'his' hard work," she said.

To combat boredom, No. 89 in line, Denny Kupferman, parked his car nearby and hooked up speakers from its stereo radio.

Mr. Kupferman, a prelaw major at City College, also brought along a barbecue grill, and friends and relatives provided chicken, spareribs, turkey, and ham.

"I figure my chances of having a future here are a lot better than in law school," he said. "You either have to be in the top 10 of your law class or go to Yale or Harvard to succeed."

NOT OLD ENOUGH THE LAST TIME

On East 27th Street in Manhattan, where the prospective plumbers waited, the first person in line was Amalia Salicrup, who set her sleeping bag down just before noon Wednesday.

A former track assistant at Aqueduct Racetrack, Miss Salicrup had caught a cold, consumed countless cans of soft drinks and read rumpled magazines while waiting for tomorrow.

Irene Brown, the mother of six children between the ages of 9 and 19 years, said that she had already done small plumbing jobs at home, "because you've got to be able to fix things * * * and I really want to get off welfare."

Twenty-two-year-old Jose Acevedo said he had wanted to become a plumber's apprentice since childhood, but was not old enough the last time applications were accepted, 4 years ago.

Local 2 of the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry will distribute 500 applications tomorrow, and will choose 50 from among those to become apprentices.

Statement of John W. Perritt

Mayor Perritt. I am Mayor John Perritt, mayor of Ruston, La., and I am also president of the American Association of Small Cities, which represents 135 million people living in 20,000 cities, towns, and villages, and boroughs throughout this land. All of us want to express our appreciation for the opportunity to come in with regard to funding the CETA program.

MAYORS' TASK FORCE

But before we do, I would like to call the founder of our association, Mayor Helen Shaw, to come and introduce some of our mayors' task force people who have worked hard to put our testimony together, if I may have this privilege.

Senator Eagleton. Fine. You may proceed.

Mayor Shaw. Mr. Chairman, members of the committee, I would like to introduce Mayor Pro-Tempore Kent Neil, Carthage, Mo.; and past Mayor Byrom Hallum, Carthage, Mo.; John Ford from Tuskegee, Ala.; Mayor Gregory Flippins, Shaw, Miss.; Mayor Joe Vraves, Fife, Wash.; Mr. Richard Oldenburg, Firecrest, Wash.; Mayor James Ebert, Tomah, Wis.; Mayor Ed Bartholomew, Glens Falls, N.Y.; and Max Albritton, Ruston, La.; Morrison Parrott from Georgetown, Tex.; and Joaquin Rodriguez from Scottsdale, Ariz.; and William Smith, our director in Washington, D.C.; Dr. Roy Dugger, executive director.

Thank you, Mr. Chairman.

Senator Eagleton. Thank you. We welcome you all. We're delighted that you are present today to give us an affirmation of your interest in CETA programs, and I am delighted that you could take the trouble to be here. Thank you very much.

Go ahead, Mayor Perritt.

Mayor Perritt. Thank you very much, Mr. Chairman.

We have distributed our testimony to the staff for the benefit of the members of the subcommittee. So, just for the sake of time—we know you have other hearings here—I will briefly outline some of the comments that were in there.

Senator Eagleton. Go right ahead.

Mayor Perritt. The following summary briefly outlines the testimony given to the Senate Committee on Appropriations Subcommittee on Labor, Health, Education, and Welfare on behalf of the Task Force of Mayors representing the American Association of Small Cities.

CETA FUNDING RECOMMENDATIONS

Funding for Administrative Provisions, Title I, is recommended to be fully funded at the necessary levels for the Secretary of Labor to implement an efficient service delivery system. Generally, this system is necessary to establish fiscal and program responsibility of public and private participants.

Funding for Comprehensive Employment and Training Services, Title II, is recommended for the full amount authorized due to the importance of this title as an investment in our work force. The opportunities provided by this title offer the unemployed jobs and those who need skills can obtain training.

Funding for Special Federal Responsibilities, Title III, specifically meets the needs of those citizens desiring to live and work in small cities and the countryside served by them. The full amount of funding is recommended to allow the Secretary of Labor flexibility to equitably serve small cities.

Funding for Youth Programs, Title IV, should be fully funded to enable our youth to pursue training and work experience and maintain a level of excellence necessary to our youth, our most important resource.

Funding for National Commission for Employment Policy, Title V, is strongly recommended for the funding at necessary levels to carry out its functions of representation in United States Government policy, thereby including a balanced program of national growth.

Funding for Countercyclical Public Service Employment Program, Title VI, is recommended for funding because of the opportunities it is providing under changing economic conditions and because it promotes a long-term partnership with Federal Government and city governments as well as other participants.

Funding of Private-Sector Opportunities for the Economically Disadvantaged, Title VII, is recommended for funding. Even though the agreed funding is a modest amount, it is vital in making free enterprise partners with the Federal Government and city governments as well as other participants. If possible, there needs to be a supplemental appropriation made to implement this title at the full level authorized.

Funding the Young Adult Conservation Corps, Title VIII, is recommended as an integral part of natural resource conservation and employing our youth in that process. It is unanimously recommended for funding at the authorized level for 1979.

That's basically our testimony, Mr. Chairman. We would be glad to answer any questions that you may have.

We will have to say this: That this meeting was moved up 1 week earlier, and we have some data enroute now that might be useful to you. We would ask your permission, if we may, when this does arrive, to submit that. It may be useful; it may not be useful.

Senator EAGLETON. We would be delighted to have it as part of the record.

[The information follows:]

AMERICAN ASSOCIATION OF SMALL CITIES
747 Eighth Street, S.E., Washington, D.C. 20003, (202) 547-3800

Mr. Chairman, members of the Senate Committee on Appropriations, Subcommittee on Labor, Health, Education, and Welfare, I am Mayor John Perritt, of Ruston, La., and president of the American Association of Small Cities. The opportunity to provide information that may be useful in deciding the levels of funding that are appropriate for the various Comprehensive Employment and Training Act programs is appreciated very much. This is the first time a person representing the concerns of the 20,000 American cities, towns, boroughs, and villages with under 50,000 population has had an opportunity to sit down and reason together with you and your distinguished colleagues about the opportunities that can be afforded through cooperative programs serving poor people in small cities and throughout the countryside of our great nation. For your consideration of the information presented herein and other matters about which there may be mutual concerns, the mayors and other elected officials of the small municipalities of America are truly grateful. As the 135,000,000 citizens living in the small towns and in the countryside served by them begin to speak out and actively participate with you and your able colleagues in the Congress of the United States, we can surely make great strides toward the goal of providing equity and giving a fair shake to all people living in every community.

Preparation of this testimony has been a cooperative effort of the Task Force of Mayors representing the American Association of Small Cities working through the following distinguished leaders:

1) Honorable Ken Neil, Mayor Pro Tempore
Carthage, Missouri

2) Mayor Helen Shaw, Founder
American Association of Small Cities
2816 E. Bee Caves Rd., Rollingwood, Austin, Texas
(512) 327-5720

3) Honorable Edith L. Brown, Mayor
George, Washington

4) Honorable John Ford, Mayor
Tuskegee, Alabama

5) Honorable Thomas W. Gomez, Mayor
Sparta, Wisconsin

6) Honorable Earl Lucas, Mayor
Mound Bayou, Mississippi

7) Honorable Edward Bartholomew, Mayor
Glens Falls, New York

8) Honorable John B. Lee, Mayor
Haltom City, Texas

The Comprehensive Employment and Training Act of 1973 as amended through 1978 provides for the implementation of many cooperative programs that are important to poor people living in small towns and in the countryside served by them. This legislation, when fully funded, will go a long way toward the perfection of an effective and efficient service delivery system that will enable men, women, and many youth escape from the scourge of underemployment and avoid the wasteland of unemployment.

Title I
Funding For Administrative Provisions

The mayors consider that the information available to them is not sufficient for them to make a recommendation regarding the level of funding needed to implement the provisions for Federal agency administration and direction. In general terms, Title I activities should be funded at levels necessary to enable each Federal agency concerned to implement an efficient, effective, responsive, and "red tape free" service delivery system. This service delivery system should provide for the establishment of fiscal responsibility of prime sponsors and public and private agency participants through annual audits conducted by independent certified public accountants. Funds available for carrying out the provisions of Title I should be sufficient to enable the Secretary of Labor to perform all functions in a fiscally responsible manner as well as have discretionary funds to provide special services as needed.

Title II
Funding For Comprehensive Employment and Training Services

All sections of Title II are important in providng opportunities for men, women, and the youth living in small cities and in the countryside served by them to escape from the scourge of undermployment and avoid the wasteland of unemployability. Investment of the full $2,000,000,000 authorized for fiscal year 1979 to carry out parts A, B, and C of Title II as well as the full $3,000,000,000 for fiscal year 1979 to carry out part D of Title II constitute sound investments in the most important resource in America, namely, the skills of a work force dedicated to the pursuit of excellenece in workmanship and productivity.

Title III
Funding For Special Federal Responsibilities

Both parts A and B of Title III are vital to the implementation of an effective service delivery system that can provide equity and give a fair shake to all people living in every community throughout America. Section 301 is absolutely vital to meeting the special needs of many people living and desiring to work in small cities and in the countryside served by them. This section as well as each of the other sections should be funded at the full levels authorized for fiscal year 1979. This must be done to provide the Secretary of Labor sufficient flexibility to meet the special needs of the poor and disadvantaged groups living in small communities.

Full funding of Title III programs will help small cities begin to be a viable part of the solutions to problems faced by poor and disadvantaged groups instead of contributing to the continued discrimination against people who want to work to earn a good living for themselves and their families.

Title IV

Funding for Youth Programs

The future hope for the maintenance of the the number one place enjoyed by the United States is in the ability of the youth of America to actively pursue excellence in craftsmanship and productivity. This ability for a skilled work force to compete effectively in the modern, complex, international market can be enhanced significantly through full funding of Title IV programs for the training, work experience, and employment of youth with social, economic, education and other handicaps. This Title is authorized at a level of $2,250,000,000 for 1979 constitutes a sound investment in the single most important resource in America, the youth of this great country.

Title V

Funding for National Commission for Employment Policy

This is an important function that should be funded at the level necessary to carry out the functions set forth in Title V. The mayors who participated in the preparation of this testimony and who are typical of these 20,000 mayors serving the 135,000,000 citizens living in small towns and in the countryside served by them URGE that the National Commission for Employment Policy include at least three people currently serving as the mayor of a city, town, borough, or village with under 50,000 population. This is absolutely the minimum representation that is essential if the policy of the Government of the United States is to provide equity and a fair shake for all people in every community. In addition, two or three of the other members of the National Commission for Employment Policy should be selected from among persons who live and work in small municipalities or in the countryside served by them. To do less than this is to continue to "redline" small communities and to extend the century of benign neglect that Federal agencies have foisted upon small cities.

An active National Commission for Employment Policy with half of its membership made up of dynamic public and private leaders in small cities would be a giant step forward in implementing a program for balanced national growth and economic development.

Title VI

Funding For Countercyclical Public Service Employment Program

Mayors of the Task Force representing the American Association of Small Cities are in full agreement with the idea that every American has an inalienable right for full employment in a satisfying career. Providing all people in every community with full employment opportunities under changing economic conditions requires continuous but flexible funding for the Title VI Countercyclical Public Service Employment Program. To be truly effective throughout America, this must be a cooperative funding effort handled through an active long-term parternship of the Federal government and city governments with appropriate participation of State and county governments.

There was general agreement that Title VI funding should be at a level that would support 675,000 public service jobs throughout 1979. This recommendation was made when considering this program in October, 1978. Changes in employment and other economic circumstances must be continued throughout 1979-80 and Title VI funded at a level that provides the Secretary of Labor with the tools to deal effectively, efficiently, and quickly with changes as they occur.

Title VII

Funding Of Private Sector Opportunities For The Economically Disadvantaged

Investment of the authorized amount of $500,000,000 for fiscal 1979 for the funding of private sector opportunities for the economically disadvantaged is indeed a modest but vital necessity in making the free enterprise private employers active partners with the Federal government in providing opportunities for every citizen to be productively employed in a satisfying career. The full amount authorized should be appropriated.

Title VIII

Funding The Young Adult Conservation Corps.

The Young Adult Conservation Corps is the most helpful part of the Comprehensive Employment and Training Act in providing unemployed young men and women with work experience related to the wise utilization and conservation of the natural resources of America. It is the one program that is directed toward developing and maintaining an attractive and healthful environment in small cities and throughout the countryside served by them. This program has been handled by the United States

Department of Interior in a manner that is helpful in improving and maintaining city parks and recreational areas as well as developing scenic parkways and comfort stations along American highways and public transportation systems.

Work of the Young Adult Conservation Corps in the public forests is important to the reseeding of clear cut areas, improving fish and wildlife areas, and in conserving the National Forrests of America.

The members of the Task Force of Mayors representing the American Association of Small Cities were unanimous in recommending that the Young Adult Conservation Corps be funded at the $350,000,000 or higher level for 1979. They were in full agreement that the Young Adult Conservation Corps program is so vital and necessary for the youth participating in it that it should be made a permanent part of the cooperative partnership between the Federal government and the small cities served by it.

Mr. Chairman, again I wish to express appreciation for the opportunity you and your distinguished colleagues have afforded to me and the heretofore silent majority that I represent to sit down to reason together about the cooperative programs you are initiating under provisions of the Comprehensive Employment and Training Act of 1978. We want to continue to work with you as we strive together to bring full employment and economic stability to the people we serve throughout America. Our desire is to bring equity and give a fair shake to every citizen as we implement a dynamic program of balanced national growth and economic development.

Are there any questions to which responses may be given today or answers submitted later in writing?

SUM OF THE RECOMMENDATIONS

Senator EAGLETON. What's the bottomline total of all your recommendations here?

Mayor PERRITT. Off the top of my head, I don't have it. I believe it's in the Perritt statement there we just put it in abbreviated form here.

Senator EAGLETON. I am going down your summary statement. I have underlined some quotes from it. Second paragraph, the words "full funded" are used. The third paragraph, "full amount authorized." Fourth paragraph, "full amount of funding." Fifth paragraph, "fully funded." Sixth paragraph, "necessary funding levels." Seventh paragraph, "recommended for funding." Eighth paragraph on page 2, "recommended for funding." And ninth paragraph on page 2, "funding at the authorized level."

OFFSETTING REDUCTIONS

Now, I haven't been able to find the total, but it's fair to say you're talking in the billions. You're talking at least a billion and maybe in the billions. Where are we going to find it, Mayor?

Mayor PERRITT. We will be glad, for the record, to submit that in writing. I will get that in to you. I am at a loss to tell you where you would find it.

[The information follows:]

DOL APPROPRIATIONS FY 79

AMERICAN ASSOCIATION OF SMALL CITIES

SUMMARY OF RECOMMENDATIONS

ITEM	PRESIDENT'S BUDGET	AASC RECOMMENDATIONS	DIFFERENCE
Title I - Employment & Training Administration	$119,341,000	$126,000,000	+ 6,659,000
Title II Employment & Training Assistance A,B,C-CETA; D-Public Service Employment	$2,054,000,000 $2,536,500,000	$2,000,000,000 $3,000,000,000	- 54,000,000 +463,500,000
Title III - National Programs	$ 326,011,000	$ 376,000,000	+ 49,989,000
Title IV - Youth Employment Demonstration Projects Act Summer Youth Employment Program Reapportionment Job Corps Total Title IV	$ 931,982,000 $ 411,092,000 $ 122,133,000 $ 415,700,000 $1,880,907,000	$2,250,000,000	+369,093,000
Title VI - Temporary Employment Assistance Community Services for Older Americans	$2,190,500,000 $ 234,800,000	$3,400,000,000 234,800,000	1,209,500,000 -0-
Title VII	-0-	$ 500,000,000	+ 500,000,000
Title VIII - YACC	$ 166,469,000	$ 350,000,000	+ 183,531,000
TOTAL	$9,508,528,000	$12,236,800,000	+2,728,272,000

YIELDING A RETURN

Mayor PERRITT. I would only say this: On behalf of the CETA program—perhaps we won't be able to find it. We would request it, and we would request it on this basis, that we feel like it would be an investment that would finally yield a return, that in a few years to come would do a lot toward your having the ability to balance the budget.

What we are working with are people who are liabilities to our society because they don't have skills and they don't have training and they are involved with crime and this type of thing.

The concept of the American Association of Small Cities is that this is probably one of the best investments that the Federal Government can make in that it is going to yield a return to you in putting these people to work with skills, thereby getting them as a productivity back in our society who will be producing taxes then and not be on the welfare rolls or in the crime penitentiaries or sick with dope and this type of thing.

We feel like we're justified in the full funding that was authorized in the 1978 CETA bill, which is a congressional budget. We feel that that is probably meeting the needs of our countryside. That budget does. As far as the rest of the budget's administration, I wish I could tell you where you could cut. If I could do that, I would probably——

Senator EAGLETON. Probably run for the Senate.

BALANCED BUDGET

Mayor PERRITT. Yes, sir. Mr. Chairman, I want to make this brief comment here. This comes from my heart. This really comes from my heart. It's very refreshing to see these two Senators here posing questions on where money is going to come from. I come from a very conservative area in North Louisiana, in Joe D. White's territory.

Senator EAGLETON. That's pretty conservative.

Mayor PERRITT. And we are behind you on trying to get the budget balanced, and it's going to do me good. I have been up here three times. I am kind of a rural boy. I get kind of shook up when I come. But it's going to be good for me to go back and tell my people that we've got people up here that are thinking about how we're going to get the budget balanced.

I am for you 100 percent. If this can be met, we're asking for the funding. If it can't, we base our thinking on that, it is going to yield a return, and it's probably a part of an educational system that you don't get in school. So, we spend so many millions of dollars for education. There are some abuses. We know that primarily in the urban. But the record will show that. The GAO report that's just out—and I am sure you just read it—the rural area, from 75 to 98 percent have successful programs. And there is reason for it.

I am not criticizing the urban areas, but these can be corrected. It still can be successful, and it's probably a lot of different people's fault. Maybe the local government, State government, Federal Government. But you can correct that, and I still believe it's a good program, and I still believe that when you set your priorities, you should plug in the factor that this would be an educational thing, developing skills and putting these people to work and make better citizens of them.

And we want to thank you again for the opportunity to meet here, and we want to invite you down to Louisiana whenever you can come. The peach blossoms are beginning to bloom right today in Louisiana, and I just wish that you all could come down there, Senator.

We all thank you very much from the bottom of our hearts.

TRAINING PROGRAMS

Senator EAGLETON. Thank you. Sit tight. You're a good witness, and I think you made a very able presentation. I agree with much of what you say. Training people to help them get a skill that's marketable is very, very important. Training people in work habits is very, very important, and it's at times very expensive.

I am a great defender, for instance, of the Job Corps. Job Corps is not universally popular around the country. They're dealing with youngsters who maybe dropped out of school at a very early level, and they're trying to train them to do a marketable skill in this competitive world. You can't do it cheap.

But you save money in the long run, as you point out, if you can train a young person for a job that he or she can hold and enhance their contribution to the country. It's money well spent, in my opinion, albeit expensive, but money well spent.

I think you're sympathetic with this. From your testimony, I know you're sympathetic with the dilemma before the Congress. So many things we would like to do in education, health, housing, job training and the like, and not being able to do as much as we know needs to be done.

You know, if we cut some of these programs or if we just go along with the President's figures on some of these—and he did some cutting—we know that some people are going to be left behind. These are not happy days to serve on the Appropriations Committee. It's the toughest year I have ever had since I have been in the Senate.

I guess what I am asking is a little sympathy from you, and I guess you're giving it to me. It's hard to say "No." I was in Missouri for 4 days. I had lunch yesterday at an Older Americans nutrition center. Are you familiar with that program? Senior citizens come in and have a nutritionally balanced meal, and they have the companionship and what have you. Under present funding, they told me, they're going to have to cut back to 50. There were 60 people in the room. In essence, we're saying, "10 of you people, we're going to have to lop you off in the next few weeks."

I looked around at all 60 of them. I felt almost like an executioner. "Which 10 would I get rid of?"

Very tough. That's a program I wrote, that program. That was my bill. And I went away from there rather dejected.

And you know, as a mayor of a city, there are a lot of things you would like to do for your town, but you've got a budget, and you have to work with it. You probably have some chuckholes in the road you can't fix, probably like to do a little with your city parks, maybe put in some swings or something. But you can't do it this year; maybe next year.

I think it's very, very tough, and your testimony reflects that. I think you understand that.

All right, Ms. Fisher, on behalf of the National Congress of Neighborhood Women.

STATEMENT OF SALLY MARTINO FISHER

Ms. FISHER. Senator Eagleton and members of the subcommittee, I left Brooklyn at 4 o'clock this morning, and several times I thought I was not going to make it here to testify.

Senator EAGLETON. Did you drive down this morning?

Ms. FISHER. Yes, sir.

Senator EAGLETON. 4 o'clock in the morning?

Ms. FISHER. Rounding people up to get here.

I am very honored to be here this morning.

My name is Sally Martino Fisher. I am a neighborhood activist and a mother of four children. I live in Williamsburgh, Brooklyn, N.Y., in a multiethnic workingclass neighborhood. For the last 10 years I have been an active community resident organizing around issues like day care, education, neighborhood revitalization, increased social services, and the special needs of women.

I am very concerned about the proposed 50-percent budget cut in CETA. To me, CETA is important because it helps to provide essential services for women and for neighborhoods.

Three years ago I started working at the National Congress of Neighborhood Women as a CETA Title VI participant. At present I am the president of the National Association of Neighborhoods and the executive assistant of Project Open Doors.

PROJECT OPEN DOORS

Project Open Doors is a citywide coalition of 38 women's and community organizations in New York City funded through CETA Title VI. These organizations provide a broad range of public-service programs geared to the needs of women, their families, and their neighborhoods.

Project Open Doors is the first federally funded women's coalition. The National Congress of Neighborhood Women, as the umbrella organization, administers this $3.5 million contract, which began in April 1978. Our program employs 200 CETA participants.

Some of the public-service areas Project Open Doors covers are: counseling, advocacy, and referral services for rape victims, battered women, single parents, ex-prisoners, and crime victims; a residential shelter for battered women; welfare advocacy; employment counseling and job placement; information, referrals, and workshops for women interested in nontraditional trades; a communication network and newsletter for Asian-American women; task force on discrimination against women and minorities in the arts; information, counseling, and workshops on budgeting, credit, public assistance, medicaid, housing, and consumer rights; information and resources on organizing block associations, volunteer groups and community associations; neighborhood-based college programs for adult women and men; art workshops and art therapy classes for older adults; films and videotapes on battered women, older adults, and on mental health and community issues; health care education and direct services for women; classes in carpentry; winterizing and weatherizing low-income residents' apartments.

Project Open Doors is a model affirmative-action program. I am sure the members of this subcommittee are aware of the fact that the proposed regulations covering titles I, II, VI, and VII of CETA specifically target "organizations serving women" as eligible for CETA funding. They also list women, single parents, and displaced homemakers as a target population for public service employment jobs.

REGULATIONS REQUIRING TARGETING OF FUNDS

At the same time the regulations propose targeting women and women's organizations for CETA funding, we are facing a severe cutback in the CETA appropriations.

How are we going to implement these regulations if there is no money to fund women's programs?

The women and men who work in our projects provide valuable services. If they and other women's programs across the country are to continue to reach out to neglected segments of the population—minorities, single parents, displaced homemakers, battered women, rape victims, and ex-offenders—it is essential that money be allocated to meet these needs.

America has neglected women. Research has been done and books and pamphlets written that document the discrimination against women. Everyday now a newspaper story or a report comes out concerning women in the work force. The latest figures are that 55 percent of all women workers over the age of 14 have incomes of less than $5,000 a year whereas only 27 percent of men have incomes under $5,000 a year.

As of March 1978 about one in every seven American families are headed by women and almost one-third of all female-headed families live in poverty.

What is being done to correct this situation?

When you make your recommendations as a committee on the CETA budget, remember that your constituency is at least 50 percent women. Women need both jobs and public-service programs geared to meet their needs. Women are vital resources of our neighborhoods, our cities, and our Nation.

As a working woman, as a mother, as a person concerned with the delivery of services to our neighborhoods, I speak for the majority of women in this country.

Don't cut back on America's most valuable natural resource—her people.

Thank you.

[The information follows:]

[From the New York Times]

AS YOU GO UP THE LADDER, PULL OTHER WOMEN ALONG

By ENID NEMY

The keynote speakers included the president of the New York City Council, a former Deputy Mayor of the city, a representative of the Federal Department of Labor, a mother of five on supplementary assistance and a former convict.

They had one common denominator. They were all women. They were brought together at a day-long conference on "Alternatives for Women" held Friday at the Carnegie International Center.

The conference, sponsored by Project Open Doors, an outgrowth of the National Congress of Neighborhood Women Inc., attracted some 400 women, many of them affiliated with the project's 38 member groups.

It was designed not only to explore issues, but to make participants aware of the work of the 38 groups, and the services and information available through them. The project, coordinated by Alice Quinn, is the first and only federally funded women's coalition and has a $2.6 million grant through the Comprehensive Employment Training Act.

'Step-by-Step' Climb

Lucille Rose, former Deputy Mayor of New York, and now a student at the New School of Social Research, sounded what was perhaps the theme of the conference. After outlining her own "step-by-step" climb, she said:

"As you go up the ladder, reach back in your neighborhood, your community, and pull others along with you. Talk together, work together, and you will succeed together."

The slow progress of women in their struggle for economic independence was noted by Mary E. Tobin, regional administrator of the Women's Bureau, United States Department of Labor.

"Women continue to be at a disadvantage in the labor force," she said, noting that even today the median earnings of women are only 57 percent of the median earnings of men.

"Women's demands are valid," she said, ". . . the eternal question we in the Women's Bureau face, from the President of the United States down to the man in the street, is 'what do you women want?' "

Women want, she said, to be treated as full, equal and responsible members of society. But, she added, amid cheers, "you should know that it is no longer necessary to be cuter than, shorter than, younger than, dumber than, your male counterparts, in order to succeed."

Carol Bellamy, president of the City Council, started out by saying that she felt somewhat like the body at an Irish wake which "has to be there but is not expected to do a lot." She then proceeded to say quite a lot.

After commenting on the exclusion of most women's contributions from history books, and discussing a recent Government study on the "Impact of Women," she told the audience that "the kind of coalition we see here today is the kind that puts the blocks together."

She continued: "People ask what's new in the women's movement today, as though the movement could say 'we're happy today' . . . . You can't put it in a little box, define it in parochial terms. The women's movement is women moving at different speeds in different directions."

From Jail to a Job

The different speeds were exemplified by Josephine Hurrinus, a mother of five, on welfare for 15 years, who now is a CETA participant as a Government entitlement expert at Downtown Welfare Advocate Center, and Margaret Cortez, who came out of jail to become a participant and "handyperson" at Project Greenhope, Services for Women.

"Being a welfare mother who was given the opportunity to get a job is fantastic," said Mrs. Hurrinus. "I wish there were enough jobs to go around for everyone . . . being paid is really fantastic, you have a feeling of freedom and independence."

For Margaret Cortez, a young woman who was literally shaking with nervousness as she addressed the conference, the opportunity provided to her by CETA funding and Project Greenhope, after coming out of jail, was "almost like a dream come true."

Miss Cortez works in the East Harlem office of the project, which sends out crews of women to help families under the poverty level maintain their apartments and buildings.

Workshop groups that met throughout the day delved into such subjects as how to establish economic independence; how to become credit worthy and understand credit rights, credit unions and banks; how returning to school changed the lives of neighborhood women ("now it's not like just being Stacey's mother; I do my homework and she does hers" said a member of the Carroll Gardens Neighborhood Project), and health care in such areas as birth control, vaginal infection and menopause.

Discussions Were Diverse

There were also discussions of self-management for tenants, household technicians ("As we upgrade ourselves, we upgrade other women," said Geraldine Miller, founder of an organization of household employees), the fact that most galleries and museums still discriminate against women artists, and suggestions that museums that receive Federal funds be required to have affirmative action.

The diversity of the workshops was, for many, not the only benefit of the conference. A number of participants indicated that being a part of a far-reaching program and meeting women with similar interests was of equal importance.

"It's been dynamite," said Mrs. Hurrinus at the end of the day. "I brought my 18-year-old daughter, Donna, to get her involved with women's issues, and all I can say is that she stayed through it."

Senator EAGLETON. Thank you very much, Ms. Fisher. I think the fact that you got up at 4 o'clock in the morning to drive down here certainly attests to the sincerity of your proposal. And I think it's a marvelous thing to do, to be a participating public citizen.

I keep referring to when I go back home to Missouri. Lots of people come up to talk to me. Many of them come up to gripe, and every once in a while I ask them, "Did you vote in the last election?" They say, "No, I was too busy or bored or didn't like anybody that was running."

You're a participant, and I commend you for that. You and Ms. Garvin will be interested in knowing, under title II of the CETA thing this year—it's a $2 billion project—this year, for the first time, 51 percent of that account will go to females; slightly more than half that will be allocated in the area of women.

So, I think that, in and of itself, is some indication that there is a heightened sense of interest in Congress to the problems to which you've testified and which Ms. Garvin testified to, insofar as women in this whole job employment training is concerned.

And then, of course, you go beyond to battered wives and what have you. At least that's some indication we're beginning to hear you.

Ms. GARVIN. Fifty-one percent of the money is earmarked to serve females?

Senator EAGLETON. According to the estimates under title II CETA of the people being benefitted under that title this last year, 51 percent were female.

So, you know, I am not saying that we've achieved Utopia, but I know it's some indication that——

Ms. GARVIN. I have a statistic on placements out of title II that reads: 99 percent of the craft positions coming from CETA title II training programs are filled by males, and 85 percent of the clerical positions were filled by females.

I think we're both trying to address that point, and we're very interested in seeing that this money is spent in giving women training in jobs that will provide them a way to support their families and themselves—good jobs.

Senator EAGLETON. Exactly right. I hear you.

I want to thank all the members of this panel. I think each has had a valuable contribution, all from different perspectives, not only geographical perspectives, but perspectives of one person trying to help women get skills, to get the better-paying jobs and there, Ms. Fisher from Brooklyn, Mr. Weintraub from the perspective of county officials.

So I am delighted to have had all of you here this morning.

Thank you.

Mayor PERRITT. Thank you.

STATEMENT OF LLOYD N. HAND, PRESIDENT, NATIONAL ALLIANCE OF BUSINESS

ACCOMPANIED BY:
TOM ROSS, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.
WILLIAM L. HEARTWELL, JR.
SANDI BATES

Senator EAGLETON. Our next panel will consist of two organizations. The National Alliance of Business is represented by Mr. Lloyd Hand and the Interstate Conference of Employment Security Agencies, Mr. Ross.

Mr. Hand and Mr. Ross.

Mr. Hand, you may proceed.

STATEMENT OF LLOYD N. HAND

Mr. HAND. Mr. Chairman, distinguished members of the committee, I am here on behalf of the National Alliance of Business to add an urgent request to those you have heard or may hear from the White House, the Department of Labor, and the major national organizations of the private-business sector for early approval of the supplemental appropriation of $400 million to effectuate title VII, amending CETA, the Comprehensive Training and Employment Act of 1973.

PRIVATE SECTOR INITIATIVES

Title VII establishes the so-called private sector initiative program, PSIP, a new approach to provide training and private-sector jobs for the structurally unemployed.

The long delay in appropriating funds to implement the intent of the Congress in title VII is endangering an experiment of great promise and importance to this country.

Title VII provides the funds to carry out a first step in an effort which, if successful, would lead to a significant shift in the Federal job effort, bringing the CETA network into a broad engagement with the private sector.

It is worth asking, I think, why such organizations as the Business Roundtable, the Committee for Economic Development, the U.S. Chamber of Commerce, and the National Association of Manufacturers have taken the lead in recommending and endorsing this. The program places a great burden of responsibility upon private business for attacking a public problem. It involves a difficult organizing and administrative task. It requires nationwide involvement with local government, labor, and community groups as well as assumption of a shared responsibility for allocation of public funds.

BUSINESS' SUPPORT OF TITLE VII

Surely, this is a significant departure from the traditional business posture. Why does business support title VII?

The answer is the business community sees in title VII the potential for a sound, workable, and highly cost-effective approach to a major and very stubborn problem, that is, structural unemployment.

Recognizing that at times there is a specific role for subsidized public-service jobs, business shares with many in the Congress and the administration the conviction that this is an expensive and, at best, temporary response and that there are limits to how far we reasonably can go in using this device to address cyclical unemployment.

Title VII points the Federal job programs in the direction in which they should go—toward the private sector, which accounts for five out of six existing jobs and most of the growth in new jobs.

It also can have a major impact in reducing such related trauma resulting from chronic and concentrated unemployment such as crime, excessive welfare burdens, and the blighting of valuable and potentially productive human lives.

The program not only equips unemployed people with skills for specific jobs, but also it has the potential to improve productivity and the overall efficiency of the labor market.

By creating real jobs where there now exist only needs, title VII will tend directly to expand total employment.

Title VII, in our opinion, is counterinflationary. A subsidized public job costs an average $11,000 per year and represents an indeterminate liability. When the subsidy is discontinued, the job disappears. Title VII, by contrast, is expected to cost an average of $3,000 to move a man or woman off the unemployment roll and into a productive, permanent job.

Finally, title VII provides an opportunity to develop meaningful jobs with a future—a major factor in motivating youth today. It is, in short, a practical, efficient, and humane approach to the structural unemployment problem.

I should add that business did not arrive at this viewpoint without much soulsearching. The present strong impetus to take on this responsibility can be very quickly dissipated if there does not appear to be an enthusiastic comment to title VII in the Government.

As this committee knows, it is the intent of title VII that the private sector will organize the demand side of the employment equation to interface with the supply side which has been organized under CETA.

PRIVATE INDUSTRY COUNCILS

Business will join in an equal partnership with Government through the medium of private industry councils, the so-called PIC's, business-led organizations that will share with prime sponsors the responsibility for planning, administrating, and allocating funds appropriated as incentives for training and placing the hard-core unemployed in private jobs.

Business-led intermediaries will be formed and will be instrumental in getting smaller companies involved in employment and training contracts and will assist them in dealing with Government contract procedures, a necessary step in persuading many small firms to participate.

The National Alliance of Business, at the request of the President, has accepted the responsibility for organizing and leading the private sector involvement in this nationwide effort. The assignment is an appropriate one, in view of NAB's 10 years of experience in working with more than 100,000 firms in the placement of more than 4 million hard-to-employ men and women in private jobs.

DOL FUNDING OF THE NATIONAL ALLIANCE

We are a private, business-supported organization. Only 10 percent of the Alliance's funding comes from the Department of Labor. The balance is contributed mostly by private industry and, to some extent, by labor unions and local government.

Almost 6 months have elapsed since the passage of title VII. During this time, the Alliance has carried out the intent of Congress by encouraging the establishment of private industry councils to assure a strong start once the program is funded. The anticipated date of such funding was October 1, 1978. The legislation required the Secretary of Labor to report back to the Congress on the progress of this trial program no later than March 1, 1980. Here it is almost April 1, or 11 months before the Secretary is to give his progress report to the Congress, and funds still are not available.

As a result of the NAB's and others' efforts to date, 50 PIC's have been fully established, another 75 can be activated within 2 months, and about 300 in total can be operational by the start of fiscal 1980.

This is a considerable accomplishment in view of the need to overcome much skepticism in local communities about the whole idea of getting involved in the problem of hard-core unemployment, concern about Government redtape, fear of involvement with public funds, and a generally negative reaction to the CETA system, not to mention concern about continuity of funding.

Such local reluctance has been repeatedly overcome by persistent and effective persuasion by major corporate executives and business organizations. However, some of that work could be undone by the delay in appropriating funds as perceptions change about the public sector commitment to this program.

JOINT ECONOMIC COMMITTEE'S REPORT

We are very much concerned with the Joint Economic Committee's report just 6 days ago which wholeheartedly supported the appropriation.

If there is much more delay, private sector support will be seriously weakened and, once momentum is lost, it will be difficult, if not impossible, to restore.

It should be noted that the Alliance is now fully funded by the Labor Department to carry out the leadership and technical assistance programs to market PSIP aggressively throughout the business community. However, it is difficult to stimulate wider business interest and involvement in the program until resources for implementation and continuity of effort are assured.

Small businesses, especially, Senator, must have funding assistance if they are to participate in on-the-job training. While surveys indicate good hiring potential in businesses employing 500 or fewer people, the plain and simple fact is small businesses can't afford to train unskilled workers. They do need some monetary help.

We believe that a great deal is at stake here—more even than a promising new direction in dealing with the difficult problem of structural unemployment. Title VII and the PSIP, in our opinion, represent an important new dimension in American political life—an attempt to involve the vast resources and management capability of the private sector in a direct attack upon a major social and economic problem. This is indeed a noble experiment, and one that could have far-reaching and positive implications for our country's future.

The National Alliance of Business, on behalf of the leadership of American business and industry, strongly urges this committee to approve the supplemental appropriation for title VII without further delay.

I would be happy to attempt to answer any questions, Mr. Chairman.

[The biography follows:]

Biography of Lloyd N. Hand

Lloyd N. Hand is president and chief executive of the National Alliance of Business. He is on loan to the voluntary business organization from TRW Inc., where he is senior vice president and assistant to the chairman of the board, Ruben F. Mettler, who is also chairman of NAB.

Mr. Hand is no newcomer to the Washington scene. He was assistant to Senate Majority Leader Lyndon Johnson from 1957 to 1961 and was U.S. Chief of Protocol, with the rank of ambassador, during Johnson's Presidency. It was President Johnson who created NAB 10 years ago to get business involved in solving the employment and training problems of hard-to-employ people.

At TRW, Mr. Hand is responsible for policy-level leadership of the development of company positions on public policy issues worldwide and the communication of these positions to the company's external audiences. He is chairman of the company's public policy council.

He joined TRW in December 1972 as senior vice president and assistant to the president for communications, with responsibility for directing TRW's worldwide communications program with all of its publics, including employees, customers, shareholders, governments and plant communities. He is also a member of TRW's corporate policy committee.

Prior to that he was president of Worldwide Consultants Inc. and a partner in the law firm of Wyman, Bautzer, Rothman & Kuchel. Shortly after Mr. Johnson's election as Vice President, Mr. Hand became a partner in the law firm of Allbritton, McGee and Hand in Houston, Tex. He returned to California in March 1966 after resigning as Chief of Protocol and engaged in the practice of international law and advised multinational corporations engaged in international trade and commerce.

Mr. Hand was elected president and chief executive officer of the National Alliance of Business June 1, 1978. He is a member of the American, Texas, and District of Columbia bar associations and is a director of Continental Air Lines, Continental Air Services, Inc., the Foundation of Educational Therapy for Children, and the International Economic Policy Association. Mr. Hand is chairman of the Board of Visitors of the Georgetown University School of Foreign Service, a member of the executive committee of the Greater Cleveland Growth Association, and a trustee of the Cleveland Council on World Affairs.

Mr. Hand holds a B.A. in government from the University of Texas. He served 3½ years as an officer in the U.S. Navy and saw overseas duty during the Korean war. After discharge from military service with the rank of lieutenant junior grade, he returned to the University of Texas School of Law and received his LL.B. and J.D. in 1957.

Mr. Hand was born in Alton, Ill. He is married to the former Lucy Ann Donoghue of Houston, Tex. Mr. and Mrs. Hand have five children.

CARRYOVER OF $200 MILLION

Senator EAGLETON. The budget indications are that only $200 million of the $400 million requested would be spent by the end of 1980. Why not appropriate just the $200 million now and consider the rest in 1981, if all is going well and if the money appears to be needed?

Mr. HAND. The program was designed basically on an assumption of $400 million being made available and the CETA authorization provided for the manner in which those funds were to be made available to the system, or some 450 sponsors—or as I indicated, 300 PICs, if you allocated $200 million or less.

Mr. Chairman, I'm considering the fact that 20 percent of that, not exceeding 20 percent of that could be available for administrative costs. There will be so little, that the incentive would be very low.

While it is true that no one knows precisely what the expenditure rate would be, it's the obligation getting it to go into a system, making it available.

It's that one factor.

There is carryover authority. I think that's the reason the administration hasn't asked for funding in 1980.

Also, I think it's their hope and assumption that if private sector works together, the public sector can demonstrate that this experiment is worthwhile, that it's working, that we're putting people in permanent jobs, that the Congress would be sympathetic if additional funding was needed when we come back for it.

Senator EAGLETON. All right. Let's hear from you, Mr. Ross. I think you have a slightly different point of view.

STATEMENT OF TOM ROSS

Mr. ROSS. We are discussing essentially the proposed budget for the State employment security system and we have a small statement which relates to title VII initiatives.

I'm Tom Ross and I'm the administrator of the Bureau of Employment Security. I'm speaking today on behalf of the Interstate Conference of Employment Security Agencies.

I have with me Bill Hartwell on my left, who's our executive vice president, and Sandi Bates, who's on the staff.

EMPLOYMENT SECURITIESYSYSTEMS RECOMMENDATIONS

The employment securities system recognizes that 1980 is a frugal budget year. We do not come here today to urge you to take steps to increase the funding for our program at the expense of other programs, or to take steps that we believe will result in a net increase in the Federal deficit.

The reason that we are able to come here today, as I believe you understand, Senator, is to discuss our budget in terms that we believe will provide a net savings over the course of the next year, because our programs are involved in activities which expend very large amounts of public funds in the form of unemployment insurance benefits and to a certain extent, welfare assistance.

For instance, in 1980, we are estimating for unemployment insurance benefits a total benefit that would cost for all States $11.3 billion. And we're talking about an administrative cost of slightly over $1 billion.

We feel that the impact, potential impact of administrative expenditures on those very large amounts of money are very great.

In addition to that, the State unemployment insurance system will collect approximately the same amount of money from employers in the form of taxes.

So, we have a potential of both reducing the program outlays through better control of unemployment insurance benefits, as well as a potential of increase in program revenues through better tax collection and delinquency tax collection activities.

Last year, the committee appropriated some $10 million for fraud and abuse control activities in the unemployment insurance program. And the committee report estimated that $38.6 million would be saved through the system, through that return on that investment of $10 million.

EXPERIENCE WITH ILLINOIS BUREAU OF EMPLOYMENT SECURITY

I would like to share with you an experience we had in Illinois in which the Illinois General Assembly appropriated some small amount of additional funds for the Bureau of Employment Security to allow us to expand our eligibility review activities. We did so. We discovered that through increased monitoring of unemployment insurance claims, we are finding between 12 and 13 percent of unemployment insurance claimants that we interviewed were not eligible for the period for which they were claiming. And our problem is in Illinois, that we were not able to maintain that level of review on monitoring that would be able to expand that 12 and 13 percent figure.

The full universe of our claimant population, we're only saying about one-third of the claimants in the State, we're only seeing them about once every 8 weeks. We do not have data yet on the impact of that $10 million addition that was provided by the Congress last year.

Obviously, we're only 6 months, not quite 6 months into the fiscal year. We're confident that that $38.6 million that was estimated in the return last year will be met, if not exceeded.

RECOMMENDATIONS TO THE COMMITTEE

We are urging the committee to increase the President's request by $10 million for approximately 500 positions in the fraud and abuse activities keeping with the committee's action last year.

Those 500 positions were not included in the President's budget request.

Our second area of concern is in the area of tax collection, where in 1979, the Department of Labor underestimated the number of liable employers covered by unemployment insurance, and therefore, did not provide staffing to the State employment security agencies for the administration of the tax collection activities.

That underfunding has been carried into 1980 budget requests. That amounts to some 390 positions and $8 million.

I do not have data available on what we feel is the national situation in terms of collection of taxes from delinquent employers. But I know in Illinois, we have done a review of our tax collection activities, and we feel we're losing approximately $2 million a year just in Illinois through the lack of an aggressive tax collection audit, field audit program, and enforcement program on the tax side.

AVERAGE WEEKLY INSURED UNEMPLOYMENT LEVEL

The third issue that we're concerned with in unemployment insurance regards the proposal of the President's budget to fund the base positions in unemployment insurance at an average weekly insured unemployment level of $1.9 million. As you know, Senator, unemployment insurance, administrative funding is based upon a base level and again, a contingency level for a workload above that base in 1979.

The base funding is at 2.1 average wage insured unemployment level in 1979. The estimated unemployment rate is 5.9 percent.

In 1980, the estimated unemployment rate is 6.2 percent, but base funding is being reduced to $1.9 million average weekly insured employment.

This is clearly not consistent.

If we are increasing our estimate of unemployment, the administration's estimate of unemployment, we also ought to be at least maintaining the same level of base funding.

As you know, base funding is used for full-time permanent positions in the State employment security system. A trained, experienced staff.

If, in fact, the base is cut, some States will have to see at the same time that workloads are increasing. They will be faced with the prospect of having to reduce full-time permanent positions that will not result in an adequately controlled and productive program.

We believe the amount associated with change in the base would be $2.1 million. We feel that that would be offset through continuing ability to monitor unemployment insurance claims and to provide timely benefit payments to those claimants who are eligible.

BUDGET RECOMMENDATIONS

Last year, the committee, under your leadership, recommended that the Congress appropriate $20 million for the work incentive program in excess of the President's request.

You made that recommendation because you felt that the work incentive program had an impact in reducing AFDC payments.

The various studies of that return indicate that as much as $1.90 is saved in terms of reduced outlays and benefits for every dollar spent in the WIN program.

$20 million was provided, essentially, to take into account inflationary increases of the WIN program. We have two things to report back on that situation. No. 1, the Department of Labor has not allocated that $20 million to State employment security agencies for operation of the WIN program. It is diverting them to something called welfare administration projects. And to our knowledge, those projects have not been initiated.

Second, they have not continued the concept of funding inflationary increases in 1980 with a resulting program decrease of approximately $22 million. And we are recommending that that $22 million be restored.

The grand total of our additional requests are $62.1 million. If we just look at the return on the WIN program and your estimates last year for the return of the unemployment insurance program, we're talking close to $80 million in reduced outlays in the form of benefits.

That does not take into account probable increases in tax revenues collected, which we feel will balance our request as well.

TARGETED JOBS TAX CREDIT

We have one other issue. The President's 1980 budget proposes administrative funding for the targeted jobs tax credit, which was included in the Tax Reform Act last year, tax credit program for diadvantaged people.

We have recommended that up to 8 percent of the amount appropriated for title VII of CETA be set aside for a 2-year period for the administration of that program.

We are concerned that $32 million, or that 8 percent tie-in may fluctuate, if there is a decision in the Congress to change the $400 million funding level for title VII.

We do support the title VII appropriation, but we would like to see the $32 million for the administration of target tax credit programs being designated as a dollar figure rather than as a percentage set-aside, waiting for the private sector initiative title VII program.

So, those are our money requests. We have a long standing discussion going with the Congress, as well as the administration, with regard to the appropriate level of funding for the employment service.

I included in my testimony some figures about the employment service. The employment service has maintained the 30,000 national staffing levels and for 15 years, at a time that the labor force has grown by almost 30 percent.

We are facing a situation, at least in my state, in which my staff are so depleted that in relationship to the level of need in the population, that pretty soon, we're going to have time left for nothing other than taking job applications and taking job orders and with no time to perform the important function of matching the two.

We are proposing—we are not proposing an increase for the employment service at this time, in light of overall budget constraints. But we would appreciate the attention of the committee in the next year working with us to establish what the appropriate staffing level for the service is, so that we can move ahead in the future with some better understanding and information about the impact of employment service staff upon the economy.

That concludes my statement. I'd be glad to answer any questions that you have.

[The statement follows:]

STATEMENT OF C. THOMSON ROSS

SUMMARY

The Interstate Conference of Employment Security Agencies recommends that following changes be made in the President's FY 1980 budget:

	President's FY 1980 Budget	ICESA Recommendations FY 1980	Change
Unemployment Insurance Service (Direct Program)	(832,200,000)	(890,900,000)	+(58,700,000)
Federal Funds	22,300,000	22,300,000	-0-
Trust Funds	(666,700,000)	(666,700,000)	-0-
Employment Service (Direct Program)	689,000,000	689,000,000	-0-
Contingency	(275,400,000)	(246,100,000)	-(29,300,000)
Total Title III Grants to States	1,796,600,000	1,826,000,000	+ 29,400,000
Federal Funds	22,300,000	22,300,000	-0-
Trust Funds	(1,774,300,000)	(1,803,700,000)	+(29,400,000)
Work Incentive Program			
Grants to States	372,023,000	394,023,000	+ 22,000,000
Program Direction and Evaluation	12,977,000	12,977,000	-0-
Total Work Incentive Program Budget	385,000,000	407,000,000	+ 22,000,000
		Total ICESA Recommendation	+ 51,400,000

The $29,400,000 that we request be added to the administrative budget of the Unemployment Insurance Program will accomplish three different objectives. First, the permanent, trained base staff for Unemployment Insurance in the State agencies will be maintained at the same level it was in 1979. We believe this maintenance of the same base staff is necessary to insure accurate, efficient and competent handling for the increased number of unemployed persons in 1980. Second, the benefit payment control and eligibility review activities in the State agencies will remain at the same level this Committee deemed appropriate for FY 1979, rather than being reduced. Continuation of our serious efforts to control fraud and abuse in the Unemployment Insurance Program will be guaranteed if the same number of staff are available for this function. We anticipate $40.0 million will be returned to the employment security system in 1980 as a result of maintaining the FY 1979 staffing level in the benefit payment control and eligibility review functions. Finally, the tax operation in each State will be funded at the FY 1979 level and will meet the increased workload which is anticipated without the existing, substantial productivity assessment. Each of these issues is explained in more detail within the body of this paper.

The Interstate Conference of Employment Security Agencies also recommends that there be an additional $22,000,000 appropriated in grants to States for the Work Incentive Program. The additional $22.0 million will provide for inflationary increases in this effective program and prevent cutting back staffing in 1980. We believe that the savings in AFDC dollars ($645 million) in 1978 will be more than matched by continuing the 1979 staffing level. We have provided further details regarding this request within the text that follows.

Finally, we are requesting that a flat amount of $32,000,000 be set aside from the CETA Title VII supplemental appropriation for 1979, or other funds, for the targeted jobs tax credit program. A $32.0 million flat amount will insure that there is, at least, a minimum amount of funding available for this valuable program. Our request does not require an increase in appropriations if the full $400 million supplemental appropriation is approved for CETA Title VII which provides that up to 8 percent of the Title VII appropriation will be available to administer the targeted jobs tax credit program.

This testimony will supplement our remarks made before the Senate Appropriations Subcommittee on Labor, Health, Education and Welfare March 21, 1979. We thank the Subcommittee for the opportunity to expand on what we feel are vitally important issues in the President's FY 1980 budget.

The Interstate Conference of Employment Security Agencies represents the fifty States and the jurisdictions of Puerto Rico, the Virgin Islands and the District of Columbia which have employment security agencies. Our goals are to insure that the state employment security agencies continue their outstanding record of low cost and efficient service to the employed, the unemployed and the employers of the United States.

The State employment security administrators understand that 1980 will be a frugal budget year and we offer our support to all efforts to keep costs down in all of the programs we operate. We are not urging any increases in outlays of public funds which will not be more than offset by returns to the employment security system, and we believe that we have identified the specific areas which will yield dollar returns beyond the administrative costs required.

As you know, State unemployment insurance benefits are funded out of State accounts in the unemployment insurance trust fund; the source of these funds are employer taxes collected by the States. Congress does not appropriate these funds. During 1980, the estimated revenues collected by the States will be $12.761 billion. These funds are dedicated entirely for the payment of unemployment insurance benefits to the unemployed. The estimated benefit payments for 1980 will total $11.6 billion with $9.9 billion being paid in regular (first 26 weeks) unemployment insurance benefits.

Part of the problem with the discussions in the Executive Branch on the unemployment insurance budget stems from the separate treatment of administrative and benefit costs. The administrative costs of the employment security system are paid from the Federal unemployment trust fund, from Federal unemployment taxes (FUTA) collected by the IRS. The administrative budgets are, as you know, appropriated by Congress. The administrative budgets are not analyzed in terms of their potential impact on either benefit costs or tax collections. While $11.6 billion in benefits will be distributed to the unemployed during 1980, the cost of administering not only the Unemployment Insurance Program, but the Employment Service as well will be $1,796,600,000. (The President's FY 1980 Budget request for direct costs in Unemployment Insurance is $832,200,000 plus $275,400,000 in contingency. The direct cost for the Employment Service is $689,000,000 in the President's budget.)

Allow us to point out some of the areas where the expenditure of administrative dollars will insure low cost and proper benefit payments, improved benefit payment control, increased tax revenue and greater job placement for individuals who are finding it difficult to become employed.

UNEMPLOYMENT INSURANCE BASE BUDGET

The Unemployment Insurance Program is funded at both a base and contingency level. The base level of funding is intended to provide the employment security system with a stable workforce of trained, permanent unemployment insurance staff. The contingency level supports a temporary or intermittent staff which can be brought on board quickly during times of rapidly increasing workload. The base level is set by estimating the average number of weeks in insured unemployment that will be claimed and then funding the lowest quarter of activity in each State.

The President's budget has estimated that the low quarter of average weekly insured unemployment base will be 1.9 million weeks claimed. This estimate is made in spite of the fact that the President's estimated unemployment rates are going to be higher in 1980 than in 1979. Since the new economic assumptions were released in December, the expected unemployment rate of 6.2% will result in a higher low quarter of average weekly insured unemployment. The Department of Labor now believes that the low quarter of activity will be 2.3 million weeks claimed based on the higher estimated unemployment rate of 6.2%.

The Interstate Conference of Employment Security Agencies requests that at a minimum, the base level of unemployment insurance funding be restored to the FY 1979 level of 2.1 million average weekly insured unemployment. Allow us to show you the implications of funding the unemployment insurance base staff at 1.9 million weeks claimed and our recommendations:

UNEMPLOYMENT INSURANCE BASE BUDGETING AND RECOMMENDATIONS

	FY 1979 Budgeted	President's FY 1980	Change FY79 - FY80	ICESA Recommends FY 1980	Change President's FY80-ICESA FY80
Average Weekly Insured Unemployment	2.1	1.9	- 0.2	2.1	+ 0.2
Base Positions	40,791	38,524	-2,267	40,973	+ 2,449
Contingency Positions	7,773	10,588	+2,815	8,365	- 2,223
Total Positions	48,564	49,112	+ 548	49,338	+ 226
Dollars Budgeted by DOL (direct and indirect)	$995.6M	$1,054.6M	+$59.0M	$1,076.6M	+$22,100,000

As you can see, if the low quarter base is funded at 1.9 million average weekly insured unemployment, the base unemployment insurance staff is decreased by 2,267 between 1979 and 1980. This means during a year when the unemployment rate is expected to increase the regular, trained, permanent unemployment insurance staff will be decreased. If the unemployment rates increase and exceed 6.2%, as is expected by the Congressional Budget Office, a reduction of the trained unemployment insurance staff will likely result in decreased services to the unemployed. The effects we could anticipate include lengthening the waiting time for filing a claim, lengthening the time it takes to receive the first benefit check after filing, and more errors in determining both monetary and personal eligibility thus increasing overpayments and the potential for fraud and abuse. When the base unemployment insurance staff is too low to meet the demands of those needing to file claims, all other functions of the employment security system begin to suffer.

The President's 1980 budget does include a larger number of contingency positions than were available in 1979. However, contingency staff are generally not as well trained or experienced and there tends to be a high rate of turnover among contingency workers. Contingency staffing is not as reliable as permanent, trained unemployment insurance staff, especially in times of rapidly increasing unemployment. Additionally, contingency staff are funded at a lower rate than base staff and the effect of increased contingency staffing is to fund the workload in unemployment insurance at a lower rate. One aspect of this lower funding rate which is of major concern to every State employment security agency, is the fact that contingency non-personal services (overhead) dollars are far less than base staff non-personal services dollars. The effect of lower non-personal services dollars is that staff are left without sufficient space and equipment to serve the unemployed. In addition, problems occur in hiring contingency staff in time to meet the workload and in providing them with adequate training to do their job well. We have evidence of these problems based on our experience during the 1974-75 recession. Finally, other indirect costs, such as support, are also funded at a significantly lower level for contingency positions. We seriously question that the quality of work from contingency staff can offset their lower cost during a year when workloads are expected to rise significantly and accuracy, knowledge and efficiency will be extremely important.

The Interstate Conference of Employment Security Agencies believes that a reduction in unemployment insurance base staff in 1980 would be a serious mistake. Therefore, we urge Congress to fund the base unemployment insurance staff at the 2.1 million average weekly insured unemployment level. The cost of this restoration is $22,100,000. We are sure that the ability to serve those who are unemployed will remain consistently good and will continue to be cost effective, if we are permitted to maintain our cadre of trained, parmanent staff who are now available to meet the needs of the unemployed. We strongly recommend that the $22.1 million be added on to the base staffing appropriation without offsetting this amount from other parts of the unemployment insurance budget.

BENEFIT PAYMENT CONTROL AND ELIGIBILITY REVIEW

Last year this Committee voted to fund 500 additional positions in the eligibility review and benefit payment control functions. The Committee and the Congress provided an additional $10.0 million to enhance these two programs and these positions are expected to return $38.6 million in FY 1979 through direct reductions of fraud and abuse in the unemployment insurance program. While the President's budget does include a portion of the 500 positions which were added last year, the overall unemployment insurance program budget has been cut to absorb the cost of these positions. The effect of absorbing the benefit payment control and eligibility review positions will be felt in an increase in the amount of workload which must be completed for each staff year invested. Under the 1980 budget, the ratio of staff years to workload, measured in terms of the number of new claims taken per single staff year, will be 1/2648. Additionally, the number of eligibility reviews which will be completed to each week claimed has been reduced. Another manipulation resulted in the elimination of the minimum fundable Cost Model MPU (minute per unit) in the four broad band functions for unemployment insurance (new claims, weeks claimed, non-monetary determinations and appeals). These steps were completed during the budget process in the Department of Labor and their combined effect is to increase the productivity which is demanded from each staff year invested.

If the Committee chooses to restore the unemployment insurance base funding level to the 2.1 million average weekly insured unemployment level discussed above, this productivity assessment will be removed. The new ratio of workload to staff year will then be 1/2538. That means that for each staff position in 1980, a total of 2538 new claims will be taken. We believe that both the need for maintaining a full and adequate permanent, trained base staff and the added expected returns from enhanced eligibility review and benefit payment control activities are sound reasons to restore the funding to the 2.1 million weeks claimed level we have requested. The Interstate Conference of Employment Security Agencies anticipates the returns from the benefit payment control and eligibility review functions will be $40 million in 1980.

TAX STAFFING

A third area of concern to the employment security system is the staffing of the tax function in the State agencies. As mentioned earlier, the estimated collections for the States and jurisdictions in 1980 is $12.761 billion. These funds then go into the unemployment insurance trust fund account and are available to pay benefits to claimants whenever they are unemployed. Staffing for the tax function is based on the estimated number of subject employers from whom the taxes will be collected. The estimated number of subject employers in 1980 is 4,460,000. This represents a 2.8% increase in subject employers over 1979. However, staffing for tax has been falling behind in recent years for two reasons. First, in 1978 the number of subject employers was underestimated, failing to accurately assess the number of new employers who would fall under coverage with the enactment of PL 94-566 (expanding coverage considerably). Second, the shortfall in staffing was not made up because the utilization rate for tax positions was only 93.5% in 1978.

This 93.5% utilization rate in FY 1978 has several explanations. First, it is widely recognized that tax positions are difficult to fill and the Department of Labor Tax staff believe that a 95.0% utilization rate in tax is reasonable and allows for the unfilled position problem. However, and more significantly, tax positions are often used to cover other essential benefit functions which are inadequately funded. When tax positions are used to cover other benefit activities, the result is that a smaller amount of countable tax workload items are accumulated, adding up to an apparent underutilization. When the Office of Management and Budget examines the utilization rate, they determine that the workload is being completed with fewer positions. We believe that this is inaccurate and that many tax activities are being delayed or ignored all together.

It is possible to examine the ratio of staff years to subject employers as a measure of the amount of workload being carried by each member of a tax staff. The level of this ratio which the Department of Labor has established as desirable is one tax position to every 512 or 513 subject employers. Whenever the ratio exceeds this desired level, the tax staff begins to lose its ability to effectively audit employers or pursue all but the most flagrant delinquencies. The investigation of obstructed unemployment insurance claims is delayed, causing the claimants to wait longer periods before receiving their proper benefits. If delinquent employers are not pursued, their tax dollars are not accumulating interest and the system loses revenue. There is growing concern among both the ICESA Tax Subcommittee and the Department of Labor Tax staff that the higher workloads in the tax function are causing severe losses in revenue to the system, delays in timely certification of new employer accounts, and severely restricting auditing of employers.

In addition to the above concerns, the Department of Labor has recently revised their Field Audit Policy. The new requirements of this policy will not be implemented as effectively if there is insufficient tax staff to meet the regular demands on them. Audits are one of the most important functions of any tax unit, and yet they are a controllable work item. If the basic work items such as establishing new employer accounts, collection of contributions and investigations of obstructed claims are the only work items which can be completed, then audits will not be assigned. It has been shown that quality auditing yields high [illegible]llar returns and we believe that the adequate funding of tax will insure that al[illegible]rk items in the tax function are completed satisfactorily.

TAX STAFFING, WORKLOAD AND BUDGET 1977 through 1980

	FY'77 Actual	FY'78 Actual	FY'79 Estimated	FY'80 Estimated	ICESA Recommends
Number of Subject Employers (workload)	4,143,613	4,356,587	4,355,000 (budgeted) 4,509,641 (revised)*	4,460,000	4,460,000
Tax positions	7,880	8,145	8,462 (revised)	8,722	9,045
Ratio of tax positions to subject employers	1/526	1/535	1/533 (revised)	1/532	1/513
Utilization Rate of tax positions	96.9%	93.5%	95.0% (projected)	95.0% (est)	95.0% (est)
Actual tax positions	7,636	7,618	8,083 (projected)	8,286	8,594
Adjusted ratio of tax positions used to subject employers	1/543	1/572	1/561 (projected)	1/560	1/541

The cost of fully funding a tax position for 1980 is $22,600.00. The addition of 323 positions in 1980 will cost $7,299,800.00.

The Unemployment Insurance Service Tax Unit estimates that utilization levels will rarely exceed 95.0% for several reasons. Primarily, the Tax Unit believes that tax positions are difficult to fill, having strict requirements under State merit systems, and that most underutilization is directly due to having unfilled tax positions, not because there is any shortage of work to be completed.

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* The original estimated number of subject employers budgeted for in FY'79 did not include the State and local government entities which came under coverage with the enactment of PL 94-566. The revised estimate is based on actual workload in the first two quarters of FY'79 projected forward. The staffing required to meet this workload, however, has not yet been funded.

COMPARISON OF UNEMPLOYMENT INSURANCE BASE AND CONTINGENCY STAFFING

	President's FY 1980 Budget	ICESA Recommends FY 1980	Change in Staff Years	Cost Per Staff Year	Additional Dollars Requested
BASE:					
Tax Staff Years (Part of Total Base Staff Years)	(8,722)	(9,045)	(+ 323)	$22,600.	(+$ 7,299,800.)
Total Base Staff Years for all functions	38,524	40,973	+2,449	$22,532.	+$51,400,000[1]
CONTINGENCY:					
Total Contingency Staff Years for all functions	10,588	8,365	-2,223	$15,000.	-$29,300,000[2]
TOTAL UNEMPLOYMENT INSURANCE STAFFING (Direct and Indirect)	49,112	49,338	+ 226	-	+$22,100,000
TOTAL DOLLARS FOR UNEMPLOYMENT INSURANCE STAFFING (Direct & Indirect)	$1,054,600,000	$1,084,000,000			+$29,400,000

[1] This figure is derived by multiplying the additional positions by the cost per position, which equals $55,180,868. Another $320,000 is added to this amount for the funding of several special programs like the Trade Readjustment Act and the Redwoods Act. However, $4,100,000 is then subtracted from this total of $55,000,868. The remainder is the $51.4 million you see in the table. The $4.1 million is added back into contingency because these funds are for anticipated but not approved salary increases which will occur in the States in 1980.

[2] The $29,300,000 which is deleted from contingency includes the addition of the $4.1 million dollars which will be used for the salary increases described above. The adjustment is derived as follows:

2,223 x $15,000. = $33,345,000 - $4,100,000 = $29,300,000

The preceding table shows the relationship between workload and positions during the years 1977 through 1980 for the tax function. The table on page 10 completely delineates our requests for increased funding in the unemployment insurance program.

We are certain that the expenditure of the $7.3 million to bring the funding for the tax function to the 1979 productivity level will yield high returns in increased revenues. The combined effect of $29.4 million request we are making will be to maintain the unemployment insurance program at its 1979 productivity level and insure that the employment security system is prepared for any eventuality during 1980.

WORK INCENTIVE (WIN) PROGRAM

Another budget which treats separately administrative and benefit costs is the Work Incentive Program. As you know, the Work Incentive Program provides training, employment and supportive services to welfare recipients. The Interstate Conference of Employment Security Agencies believes that the Work Incentive Program is one of the most effective methods of assisting welfare recipients in finding jobs and at a cost which is far less than any CETA program. We urge the Committee to carefully consider the accomplishments of the Work Incentive Program in any future discussions of welfare reform.

Allow us to outline, briefly, some of the accomplishments mentioned above. In 1978 there were 286,400 WIN clients placed in unsubsidized employment which lasted 30 days or more. This placement level represents an increase of 5.3% over the preceding year. Half of the newly employed participants earned enough on the job to remove themselves and their families from the AFDC rolls immediately, while others received assistance but at a reduced level. Savings to the taxpayers of $645 million in AFDC costs far exceeded the administrative dollar cost of the program ($364 million in FY 1978). In fact, for each administrative dollar spent in the Work Incentive Program, there was $1.90 saved in AFDC costs. This reduction in welfare grants amounted to a 48% increase over the prior fiscal year. Additionally, these savings do not account for simultaneous reductions in the Medicaid and Food Stamps programs. The cost of placing a WIN participant in a job was approximately $1,300.

In recognition for the improved performance of the Work Incentive Program in 1977, this Committee was instrumental in providing, in FY 1979, for inflationary increases for the WIN program, amounting to $20 million, to prevent program cuts. The Committee should be cognizant of two subsequent events. First, the

Department of Labor has diverted those funds from the regular Work Incentive Program to "welfare demonstration projects" both in FY 1979 and FY 1980. Thus far, the Department of Labor has not begun any projects to our knowledge. Second, the 1980 President's budget does not include any inflationary increases. Therefore, the Work Incentive Program will be reduced, and presumably AFDC costs will increase. We believe the Committee should continue its thinking of last year and provide $22,000,000 for inflationary increases in FY 1980.

THE EMPLOYMENT SERVICE

In the Employment Service, the President's 1980 budget continues to recommend a staffing level of 30,000 positions, thus maintaining a standstill level for the 15th year despite a 29% growth of the labor force, and a hugh increase in the use of the Employment Service by employers and job seekers. We would like to highlight some of the accomplishments of the Employment Service in FY 1978:

Placements

6.2 million nonfarm placements (up 12.7% over FY 1977)

3.6 million placed in unsubsidized employment (up 4.2% over the year)

1.1 million transfer payment recipients placed in jobs (of the 5.5 million required to register with the Employment Service)

3.5 million Unemployment Insurance claimants served (730,000 placed)

1.4 million Food Stamp recipients served (251,000 placed)

1.4 million Work Incentive Program and other welfare recipients served (286,000 placed)

Target Groups Placed

Veterans - 766,000 placed (up 6.2%)

Disabled Veterans - 49,000 placed (up 16.7%)

Economically disadvantaged - 1.6 million placed (up 13.6%)

Minorities - 1.5 million placed (up 14.5%)

Women - 1.9 million placed (up 12.3%)

Older workers - 409,000 placed (up 5.4%)

Youth (under 22) - 2.0 million placed (up 13.2%)

Summer Youth - 553,000 placed (up 13.3%)

Handicapped - 232,000 placed (up 12.1%)

CETA applicants - 520,000 placed (up 18.2%)

Employers Served

Direct access for over 1.5 million employers nationally

9.1 million job openings were received (up 14%)

1.4 million subsidized job openings received (up 37%)

8.2 million unsubsidized job openings received (up 12%)

Job Fill Rates

69.5% of all job openings were filled by the Employment Service

68.9% of nonfarm openings were filled

82.5% of agricultural openings were filled

86.9% of subsidized job openings were filled

66.6% of unsubsidized jobs were filled

Other Reportable Service to Applicants

10.1 million individuals received some other reportable service

8.3 million were referred to a job

1.5 million had job development contacts made for them

1.0 million persons were counseled

726,000 persons were tested

During FY 1978 the average cost per placement transaction was only $147 in the Employment Service. This figure compares quite favorably to any other cost per placement transaction figure in both the public and private employment business. On the basis of all services for which funds are received by the Employment Service including the Work Incentive Program, the Food Stamps program, CETA and the basic Title III Grants to States, it cost an average of $211 to place an individual on a job.

We believe that this continued improved service record speaks for itself. The Employment Service has consistently provided the people of the United States with a free labor market exchange which is widely available through the 2,400 local offices throughout the country. This is especially important in the case of rural services since the Job Service is frequently the only manpower agency in rural communities. In a recent study completed by ICESA, we have established that the Employment Service has contractual agreements on a financial or non-financial basis with 94.5% of all operating prime sponsors in the CETA system. There were 740,000 CETA applicants referred to jobs by the Employment Service and the number will continue to grow. The linkages between CETA and the Employment Service have become stronger during the last four years and we anticipate, with the increased role in CETA planning for the State employment security agencies, that the system of linkages will become even stronger in the next four years.

The standstill funding of staff for the Employment Service is going to, in the near future, result in a public Employment Service in which the staff is so inadequate that they will be able to do little more than process job orders and take applications, with virtually no time available for matching the two. We believe that this is not the intent of Congress and would like to propose that we work together to come to some mechanism for identifying appropriate funding for the Employment Service in the near future. We believe that the Employment Service and CETA can work together in harmony, without duplication of effort, to provide all services which are needed by both the job ready applicant and the applicant who requires training, job search assistance, or other job preparation. We look forward to addressing this and other questions about the Employment Service and the funding of the Employment Service with this Committee in the near future.

TARGETED JOBS TAX CREDIT

The employment security system has been designated as the lead agency at the State and local level for implementation of the targeted jobs tax credit program. We welcome this designation, and feel that we can implement this program expeditiously and well to the advantage of employers and job seekers alike. The President's budget proposes to fund this activity over two years from the FY 1979 supplemental appropriation for Title VII of CETA, setting aside up to 8% of the $400 million proposed for that activity.

We wish to point out that the Title VII of CETA, the Private Sector Initiative, is not directly related to the targeted jobs tax credit which was provided for in the Tax Revenue Act of 1978. Therefore, we recommend that funding for the administration of the targeted jobs tax credit be set at a flat amount of $32.0 million. We have previously expressed our concern in letters to Chairman Warren G. Magnuson and Chairman William H. Natcher (copies attached) of the Senate and House Appropriations Committees.

CONCLUSIONS

We recognize the need for the Committee to make recommendations which hold appropriations to the lowest level possible. However, we believe that we have established that the additional revenues which we request will be more than offset by the returns of the programs they will fund.

We will be happy to provide any additional information that the Committee may desire. Thank you for the opportunity to present this testimony.

LETTER FROM GLENN W. NICHOLS, PRESIDENT, INTERNATIONAL CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

March 2, 1979

Honorable Warren G. Magnuson
Chairman
Appropriations Committee
United States Senate
Washington, D.C. 20510

Dear Chairman Magnuson:

The Interstate Conference of Employment Security Agencies is vitally interested in the appropriations for Labor-HEW which your committee currently has under consideration, and we would like to be heard by your committee at the appropriate time. We understand, however, that the CETA Title VII and the targeted employment tax credit items may be acted on soon as a supplemental, and we therefore take this opportunity to present our views on the targeted employment tax credit.

The "Revenue Act of 1978" (PL 95-600) provides for a targeted employment tax credit with the purpose of providing an advantage in the labor market for those who have the most difficulty in finding employment.

The Secretary of Labor has general responsibility for the program and he has indicated an intent to enter into agreements with State Employment Security Abencies to administer the program at the State and local levels.

In presenting their appropriation request to this committee the Department of Labor proposes to make available for administration of the targeted employment tax credit program an amount not to exceed eight percent of the total supplemental. They are requesting $400 M for the Title VII program which would make $32 M available for the TETC program.

We should like to request that the committee recommend approval of a flat amount of at least $32 M rather than eight percent of whatever the Congress decides to recommend for Title VII. We make this recommendation because we believe that a minimum of $32 M will be required to administer the targeted employment tax credit program and because there is no functional relationship between the Title VII CETA program and the targeted employment tax credit program. Programs and services authorized under Title VII include institutional and on-the-job training, small business intern programs and cooperative education for youth.

On the other hand, targeted employment tax credits are provided to employers who hire certified workers. The Department of Labor has estimated that credits will be claimed for full-time equivalent employment of 78,000 persons in 1979 and 304,000 in 1980. The program will be linked up with employment service placement activities. State Employment Security Agencies will be responsible for certifications and overall management of the program.

If the Title VII program and appropriations were drastically reduced it would not reduce employer demand for targeted tax credit. The appropriation therefore should be a specific amount and not based on a percentage of the Title VII appropriation.

We would appreciate your careful consideration of this request.

Sincerely,
Glenn W. Nichols
Glenn W. Nichols
President

LETTER FROM ROBERT C. GOODWIN, ASSOCIATE VICE PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

March 2, 1979

To: State Administrators

From: Robert C. Goodwin
Associate Vice President

Subject: Appropriations for the Targeted Jobs Tax Credit Program

We wish to bring to your attention a letter which was sent by Glenn Nichols to Chairman Natcher of the Subcommittee on Labor, Health, Education and Welfare (House Committee on Appropriations). In the letter we point out that the funding for the targeted jobs tax credit should not be a percentage amount of the Title VII allocation and request a flat amount of funds be made available for the administration of the TJTC program.

In discussing the basis for estimating the workload for this program with the DOL we are concerned that the estimates may not reflect the actual number of persons that will be served under the TJTC program. The staff is attempting to gather information which will help to estimate a truer workload and which will allow us to cost out the program more accurately also.

We are requesting that you submit to us any estimates and figures that you have developed for your State program so that we might put together a more complete picture of the anticipated costs. In addition, we would appreciate any suggestions that you might have as to sources of data and methodology which could be used to make better estimates of the costs of TJTC.

LETTER FROM GLENN W. NICHOLS, PRESIDENT, INTERNATIONAL CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

February 28, 1979

Honorable William H. Natcher
Chairman
Subcommittee on Labor, Health,
Education and Welfare
House Committee on Appropriations
Washington, D.C. 20515

Dear Chairman Natcher:

The Interstate Conference of Employment Security Agencies is vitally interested in the appropriations for Labor-HEW which your committee currently has under consideration, and we would like to be heard by your committee at the appropriate time. We understand, however, that the CETA Title VII and the targeted employment tax credit items may be acted on soon and we therefore take this opportunity to present our views on the targeted employment tax credit.

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If the Title VII program and appropriations were drastically reduced it would not reduce employer demand for targeted tax credit. The appropriation therefore should be a specific amount and not based on a percentage of the Title VII appropriation.

We would appreciate your careful consideration of this request.

Sincerely,
Glenn W. Nichols
Glenn W. Nichols
President

CONTRIBUTION FROM THE STATES

Senator EAGLETON. The funding of unemployment services in the 50 States, that's primarily, basically, your Federal funding.

Mr. ROSS. The administration of unemployment insurance programs comes from unemployment tax revenues which are collected by the IRS and distributed to the States.

Senator EAGLETON. You stated in Illinois, you described in your testimony, kicked in a little State money, as you said in your testimony.

Mr. ROSS. They kicked in some money.

Senator EAGLETON. How much did they put into the program?

Mr. ROSS. They appropriated $2 million. We had some agreements with the general assembly, and spent slightly less than a million dollars on that program.

Those funds came from penalty and interest payments from employers and delinquent unemployment insurance taxes. They were not State general revenue taxes, but they were funds that could be used appropriately for administration of the program.

STATE SURPLUSES

Senator **Eagleton**. Is your Governor in Illinois recommending a cut in State taxes?

Mr. Ross. He is not recommending a cut in State taxes. He has recommended a ceiling, a floating ceiling on State spending and on taxes in the State.

In response to an earlier question, Illinois floats about $100 million surplus continually throughout the year, which is a very narrow margin for a State that spends $12 billion a year.

Senator Eagleton. Sir, where are you from?

Mr. Heartwell. I represent all of the States here in Washington, the staff of the Interstate Commerce Employment Security Agencies, and Ms. Bates is on my staff.

Senator Eagleton. There's a Washington office for practically everything these days.

Mr. Heartwell. Just about, sir.

PRIVATE SECTOR PLACEMENTS

Senator Eagleton. Now, the employment service for years has been working with private industry to try to find jobs for the unemployed. That's the basic thrust of why you're in business. You're trying to work with private enterprises to get people placed.

How many private sector placements are you estimating for fiscal 1980?

Mr. Ross. Mr. Heartwell has that answer.

Mr. Heartwell. Sir, last year we placed nationally about 4.6 million professionals in jobs.

The employment service, of course, has worked for many years with the private sector.

We received last year about 8 million job orders from employers. We also have, in relationship to Mr. Hand's testimony, we have committees across the country, job service improvement committees made up from the private sector exclusively in about 600 locations that have been very active, not only in utilizing employment service, but as very objective critics on how we can improve our services.

AVERAGE COST PER PLACEMENT

Senator Eagleton. What was the average cost per placement?

Mr. Heartwell. Right around $125, which we think is an extremely cost effective program, sir.

Senator Eagleton. Mr. Hand, in his testimony, was talking about the private sector initiative. And I think he said that it would be $3,000 per job. And he was comparing it with $11,000 or something.

Mr. Hand. That's right, yes.

Senator Eagleton. That's in the training and employment program. Now, I guess this is the devil's advocate.

COSTS PER PLACEMENTS

If these folks over here, placing people at $125 a head, and Mr. Hand places them at $3,000 a head, and the earlier witnesses we had were $11,000 a head, why, I ask on a superficial basis, shouldn't we dump all the money in with these folks who are doing it at $125?

Why don't we give them the $400 million that we're thinking of giving to you and they can divide $125 into $400 million.

There're a lot of jobs.

Mr. HAND. If I may respond to that, I think you have to define what you mean by "placing." If you are talking about the service of converting a job commitment or job offer into a job as a job placement, then I would agree with you.

My $3,000 was including some preliminary training costs, which is not included in the cost placement.

Actually, the employment service and the National Alliance of Business work very closely together. As a matter of fact, still do, although we suffered some cutbacks this past year.

Some of the managers of employment and training are physically located in the NAB offices in some 120 cities, and private sector identifies the job.

The employment service follows through to commit that to a job.

I think there's probably two different things in terms of cost.

PLACEMENT AND TRAINING

Senator EAGLETON. That's true. There is a difference between the placement and training. I suspect you can tell us with respect to 4 million, or whatever it was that they placed last year, a substantial percentage of those 4 million probably needed some on-the-job training. Some didn't.

Somebody was placed in a job as a kitchen helper, maybe, and maybe worked in kitchens before, and therefore, needed little or no training.

I suspect out of that 4 million, a substantial number of them needed some degree of training on the job.

Mr. HAND. Well, to be perfectly candid, the NAB was responsible for some half a million placements for ex-offenders and economically disadvantaged and Vietnam veterans in 1978, with no funding whatsoever, except for minor administrative funding from the Department of Labor.

Still, I think the question is how do you deal with the remaining structurally unemployed. The combined efforts, we still didn't do that as significantly as we think we can under this very unique program.

That's broader than just the training and employment on a cost effective basis.

Senator EAGLETON. How can you guarantee me that the people that you will hire and train are, in fact, the real tough cases? That is, I'm willing to make a substantial investment, as I said earlier, with respect to jobs to train young people.

You really need an extensive amount of almost remedial work and patient care bringing them along on the job.

I know that's expensive.

I'm more than willing to make that investment. How do I know you're going to take in the tough cases, as it were, and not the easy cases?

Human nature is—let's say you have one job vacant. And in your job, five people apply for it. Four of them are dropouts, and one's a high school graduate with a perfect attendance record.

How are you going to guarantee to me you're going to take one of those dropouts?

Mr. HAND. The best thing to do is just look at the record over the last 10 years. Private business has made the commitment, hard core, to almost 4 million people.

You're absolutely right. They're going to take the best trained, best qualified, because business has to be efficient.

In the absence of a deliberate commitment or an incentive, my judgment is that you couldn't make that guarantee. However, under this program that we don't think is cost effective, there are some guidelines that ought to make that so.

For example, the targeting of the job tax credit as a targeted program, there have to be criteria to be met. The client is given a voucher and he goes around and sells himself to an employer. It's an incentive to take me, although I am unskilled and disadvantaged.

CETA must certify the eligibility of the economically disadvantaged under this proposed private sector program.

Critics will say it's going to be tougher because the criteria is so narrow now. It's the lower economic group.

But, I think the answer is that business, as I testified, is willing to make that commitment if the Government's willing to go with them and do it in partnership. That's the unique aspect about this program.

You and I know that there have been manpower programs for years, most of which have been unsuccessful. But this one offers the unique opportunity for a framework to bring for the very first time the demand side of the labor equation into the picture and give it eligibility and authority and get it involved in not just the private industry counteractivity, but all of the CETA programs.

I think that's worth your support.

USE OF $400 MILLION

Senator EAGLETON. Well, yes. I put you in an awkward spot, Mr. Ross. Why don't I give you $400 million to spend? Will you spend it better than if I give it to Mr. Hand?

Mr. ROSS. We would welcome $400 million to the system. We should make it clear that in agreement with what Mr. Hand said, the employment service, as we see it, is primarily dealing with people who are ready for jobs. And that means that we feel that we need the support of the CETA system for those people who do not have job market skills.

And we, last year, for instance, referred over 3,000 people to CETA for training, and we, in many parts of the country, certainly in Illinois, in the whole State, with every prime sponsor in the State, had agreements where we would provide referrals to CETA of people that we can't help directly. And they, hopefully, when the people are done with training, send them back to us for us to help place the people.

We don't feel that we're in competition with the National Alliance of Businessmen or with the CETA system in terms of people that we ought to serve.

I think that our concern would be that the Congress recognize our proper role as a labor market exchange and not set up other actors to perform that kind of function.

We want to perform the labor market function. We think we performed it efficiently and at a low cost, and well.

But we do need the help from CETA and other programs for people who are not ready to be placed in jobs when they walk in our door.

Senator Eagleton. Very good. And Mr. Scott, we're delighted to have you. Thank you very much.

We'll take a 1-minute recess.

[A brief recess was taken.]

STATEMENT OF MARIA TUKEVA AND JULIO LUCAS, ON BEHALF OF SER-JOBS FOR PROGRESS, INC.

Senator Eagleton. We'll now have a panel of three, SER-Jobs for Progress, Mr. Cabrera, American University College of Public Affairs, Mr. Yeager, National Farmers Union, Ms. Kobell.

Mr. Cabrera?

Ms. Tukeva. Mr. Cabrera is not here. I'm representing him. I'm Maria Tukeva, representing SER. And accompanying me is Julio Lucas.

Senator Eagleton. I'm afraid you have a very soft voice and very pleasant. You have to keep it in closer to the microphone.

Ms. Tukeva. I want to express my appreciation for the opportunity to present this to the committee, the status, needs, and goals of the Hispanic community as they are perceived by SER-Jobs for Progress and its sponsors, the American GI Forum and League of United Latin American Citizens.

Our testimony today reflects the interests and concerns of SER and other minority CBO's providing E. & T. services. As you well know, the two Departments for which you will consider appropriations, the Department of Health, Education, and Welfare, and the Department of Labor, have a significant impact on the Hispanic community, an impact we believe will be augmented with the completion of the 1980 census and an accurate counting of our population. Therefore, it is quite appropriate that I present to you our concerns and ambitions, our milestones and goals for the first 5 years of the next decade.

OVERVIEW OF THE PROGRESS

I would like to present an overview of the progress, or decline of progress, which occurred during the 1970's. After presenting you with an overview of social indicators achieved in the 1970's, I believe you will agree that we must all accelerate our efforts and focus our resources more precisely to create social and economic equality within the Hispanic community during the 1980's.

At this point I will provide the committee with an overview of the Hispanic condition. I therefore would like to present a selected number of social indicators which will give a clean picture of where we are in today's society. After presenting the indicators, I will present the progressive goals which will lead to closer parity by 1985. I will then discuss the available legislative instruments that can realize these goals and various deficiencies which together we may overcome to make the way easier for the Hispanic community.

SER feels that the present administration, adhering to the President's goal of creating a balanced budget in 1980 and curbing inflationary spending, is recommending budget reductions which are contradictory to the social priorities already stated by the administration.

The budget message of the President for fiscal 1980 states:

> Continued high structural unemployment in an inflationary economy requires a redirection of our efforts. Programs targeted to employ the truly disadvantaged are to be continued at their current high levels as established by this administration. More general employment programs, not directed specifically to those most in need, must be reduced to reflect improvements in the economy and our need to establish priorities.

The President makes it quite clear that the Nation's financial resources must continue to be targeted to those segments of the population who are most in need. He readily points out that the administration must assume the responsibility for developing and maintaining a special vehicle through which the disadvantaged will receive employment and training opportunities.

In response to the needs of these special segments of the population, the Comprehensive Employment and Training Act of 1973 directed the Department of Labor to create the Office of National Programs. Additionally, the Congress authorized a budget which would allow appropriate targeting efforts to those segments needing special efforts and technical assistance to overcome structural barriers in their employment opportunities.

BUDGET REDUCTIONS REQUESTED BY THE ADMINISTRATION

Before this Office has been able to significantly impact on its objective, the administration is requesting drastic budget reductions under title III, special programs, which severely impair this Office's capacity to assist the hard-core unemployed in this Nation. Now the administration is requesting an additional $55 million reduction, which will further decrease the effectiveness of targeting on those most in need.

Furthermore, SER-Jobs for Progress understands that these reductions will impact on funds which are currently being used to support community-based organizations and promotion and development projects. These organizations and projects are serving Hispanics, Native Americans, migrant workers and other groups who, have traditionally suffered from the high rates of unemployment and underemployment.

SER-Jobs for Progress would like to point out that the Hispanic segment of the most in need must continue to be a priority in this administration.

ECONOMIC AND SOCIAL WELL-BEING OF MINORITIES

The most recent national social indicators demonstrate that the Hispanic, as well as other minorities, are losing ground in terms of economic and social well being, and that this type of budget reduction will only aggravate this situation. The administration must continue the Office of National Programs' efforts not at a reduction, but rather an increase, to overcome the social barriers faced by the most in need. To emphasize this statement, SER will present information which addresses the following question:

One: Who are the most in need in the Hispanic community, and are they being served?

Two: Who most effectively serves the most in need within the CETA structure?

The question of who are really the most in need in American society is answered by a study in August of 1978, published by the U.S. Commission on Civil Rights, a study called "Social Indicators of Equality for Minorities and Women." The Commission reports that for every social and economic indicator—education, occupation, employment, income, poverty and housing—women and minority men have a long way to go to reach equality with majority men, and in many instances are relatively further from equality in 1976 than they were in 1960.

This report demonstrates that those current microsystems or locally funded efforts such as prime sponsor local and education agencies are failing to impact the social status of minority communities.

High school completions for the Mexican male in 1976: There were 74 completions for every 100 among the majority male. For Puerto Rican males the ratio was 78 to 100. For the Mexican female, the difference was 67 completions to 100. The Puerto Rican female completed 69 for each 100.

Another indication of social inequality is college completions. The following relative percents demonstrate the continual severity of the most in need.

The college completion rate for persons 25 to 29 years of age is: For white males, 34 percent; Mexican males, 5 percent; Puerto Rican male, 6 percent; Mexican female, 5 percent; Puerto Rican female, 4 percent.

Obviously, between the majority male and the Hispanic male and female, in educational attainment the indicated disparities demonstrate that national targeting is still very much in need. The report continues to show that educational inadequacy is only one aspect which demonstrates that there are special needs.

The above information is an abundance of unmistakable indicators all of which point to one conclusion: Special segments of the population are most in need. These segments are being deprived of the benefit of Federal resources which are dispersed through normal regional and, in the area of E. & T., State channels.

The Hispanic and other minorities require special attention at the national level. In order to curb the growing disparities, in order to advance disadvantaged segments of the population in their educational attainment, occupational opportunities and income equality, the CETA structure must retain national programs. Targeted programs administered by the Office of National Programs must continue to effectively focus their resources to those most in need. Within the CETA structure and the Employment and Training Administration, the Office of National Programs has consistently been in the forefront in disbursing its resources to those programs and activities which reach the most severely disadvantaged.

SERVING THOSE IN NEED WITHIN THE CETA STRUCTURE

The second question presented is: Who most effectively serves the most in need within the CETA structure? A major factor contributing to the answer of the above question is the distinction between those persons who are eligible and those who receive services under special segment targeting. About 2.4 million persons participated in titles I, II, and VI programs during fiscal year 1977, 1.4 million in title I, .35 million in title II and .59 million in title VI.

Under fiscal year 1977 and 1978 funding, the proportion of eligible [illegible]ho were expected to participate was 5 percent in I, 1 percent in II, and 7 percent in VI. This means that most eligibles are not served and that prime sponsors have great discretion in selecting from eligibles. Furthermore, if we examine those eligibles being served who are found in disparity using the social indicators above, we see that effective targeting through the prime sponsors is less than adequate.

The Office of National Programs must be required to expand its utilization of minority community-based organizations and other alternative systems.

One such alternative system fostered by the Office of National Programs has been the network of national minority CBO's and their affiliates. The minority CBO's have effectively increased the participation of targeted populations since the inception of CETA in 1974. Since 1974 CBO's have in fact proven to be the most effective CETA operators for programs targeted toward the structurally unemployment minorities, women and persons of limited English-speaking ability.

For this performance to continue and improve, it is necessary that the Office of National Programs in the Department of Labor continue funding these networks to develop the targeting expertise needed. The minority CBO is the vital link between the target population needing services and the Federal resources available.

We are therefore urging that ONP funding be maintained, at least at the previous level.

Thank you.

[The statement follows:]

STATEMENT OF PEDRO R. GARZA

Mr. Chairman and Members of the Committee: I want to express my appreciation for the opportunity to present to this committee, for your consideration, the status, needs, and goals of the Hispanic community as they are perceived by SER Jobs For Progress, and its sponsors, The American G.I. Forum and League of United Latin American Citizens.

As you well know the two Departments for which you will consider appropriations, The Department of Health, Education and Welfare, and the Department of Labor, have a significant impact on the Hispanic Community. An impact we believe will be augmented with the completion of the 1980 census and an accurate counting of our population. Therefore it is quite appropriate that I present to you our concerns and ambitions, our milestones and goals for the first five years of the next decade. I would like to present an overview of the progress, or decline of progress which occured during the 70's. After presenting you with an overview of social indicators achieved in the seventies, I believe you will agree that we must all accelerate our efforts and focus our resources more precisely to create social and economic equality within the Hispanic Community during the eighties. At this point I will provide the committee with an overview of the Hispanic condition. I therefore, would like to present a selected number of social indicators which will give a clean picture of where we are in todays society. After presenting the indicators I will present the progressive goals which will lead to closer parity by 1985. I will then discuss the available legislative instruments that can realize these goals and various deficiencies which together we may overcome to make the way easier for the Hispanic Community.

The most recent social indicators demonstrate that the Hispanic is losing ground in terms of economic and social well being when compared to the growth and constant improvement of the majority white male.

To substantiate this I have borrowed data from various publications and commission reports.

The single factor which consistently demonstrates a positive corrolation to success in the labor market, increased income earnings, and overall social mobility in this society is educational level. The higher the educational level the greater the probability of maximizing labor market participation and earnings capacity.

This being the case we must recognize the present deficiencies found in the Hispanic Community in order to focus resources to alleviate the discrepancies.

The first indicator I will present shows delayed education.[1] That is the percent of Mexican American male and female who are two or more years behind the normal school grade for their age as compared with majority white male.

In 1970, 26 percent of the Mexican origin male and 23 percent of the female fell into this category. In 1976 the percents had increased to 28% and 24% for the male and female respectively. Yet, where we find an increase in delayed education among the Mexican American we find a decrease in the White Male from 12% in 1970 to 10% in 1976. In this indicator the Mexican American lost position.

The next significant educational indicator is high school completion.[2] In 1970 we have the following percentages for persons 20 to 24 years old; for Mexican American male, 55%; for female, 51%; for Puerto Rican Male, 44%; Puerto Rican female, 42%; for White male, 83%; White female, 82%.

In 1976 there appears to be growth in all catagories: Mexican American male, 64%; female 58%; Puerto Rican male, 68%; female 60%; White male, 87%; female, 86%. Although there is growth during the six year period marked disparity continues to prevail. The severity becomes more obvious when we see that of all Hispanics over 24 years old only about 40% have completed. Of non-Hispanic there is a 66% completion.

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[1] U.S. Commission on Civil Rights, Social Indicators of Equality for Minorities and Women, (Washington, D.C., August 1978.)

[2] Ibid, pp. 11-13.

This disparity becomes quite significant upon examining post secondary, or college completions during the same time period.[3] It appears that the barriers to college completion are highly prevelant among the Hispanic population. In 1970 of those persons 25 to 29 years of age only 5% Mexican American and 4% Puerto Rican males and 3% of the females in both groups completed college. The White male completed at a 22% rate. By 1976 the Mexican American had only raised the completion rate to 11 percent. The Puerto Rican to only 6%. The White male had increased to 34 percent. As I have indicated approximately 60% of each Hispanic group is completing high school, yet the college completions is at a low of approximately 6 to 11 percent for this age group. Upon examining the college completion of all persons over 25 years old, we see college completion is quite recent among the Hispanic. For all Mexican Americans, over 25 the rate drops to 3.9%, Puerto Rican 2.8%.

However, the increase from 1970 to 1976 is less than one percent a year. This yearly increase must be challenged; our efforts and resources must demand a higher rate of increase for the eighties.

The next set of indicators relevant for describing the socio-economic status of Hispanics are various labor market characteristics. The proportion of unemployed among Hispanic persons was significantly higher than the proportion of unemployed in the general population. In March of 1978 about 12 percent of all Hispanics in the civilian labor force were unemployed, as compared with 8 percent of total population. In March of 1977 the rate was 11 percent, in March of 1976 the rate was 11.1, March 1975, 11.8 percent; therefore we see that the rate remains constant over a four year period while the rate for all persons has declined. In 1975 for all persons the rate was 8.3; in 1976, 7.3; in 1977, 8; in 1978, 7.5.

Occupational characteristics of employed Spanish origin persons differed, sometimes markedly, from that of the overall employed population. For instance, although 16 percent of all employed persons in the civilian labor force were professional and technical workers, only 8 percent of the Spanish origin labor force were so employed, and the proportion of employed persons of Spanish origin working as managers and administrators (5 percent) was significantly lower than for the overall population (11 percent). However, the proportion of Spanish persons working as operatives (e.g., garage workers and attendants, produce packers, manufacturing checkers) was greater (26 percent) than for similarly employed persons in the overall population (15 percent).

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[3] Ibid, pp. 14-16.

In 1975 the majority male had a median household per capita income of $4,333.00. The Mexican American income per capita was 2,130, or 49 percent of the majority male. The Puerto Rican male earned 50%, Mexican American female head of household earned 28%, Puerto Rican female household, 29%.[4] The relative per capita income has remained the same from 1959 to 1975.

To highlight the long range affect of such earnings disparity, SER has prepared a table which shows median Hispanic earnings for male head-of-household compared to majority male during a forty year work life.[5]

	14-25	26-35	36-45	46-55	Total over 40 yr.
Hispanic	3,943	9,087	10,533	9,938	335,010
Majority Male	4,044	11,856	15,703	15,647	472,500
10 yr. diff.	$1,010	$27,690	$51,700	$57,090	40 yr. cummulative diff. $137,490

The above table demonstrates the Hispanic male worker consistently earns only 71 cents for every $1.00 earned by the White majority male. In addition to this overall indicator we have examined the earnings of the college-educated Hispanic in relation to the majority male. Surprisingly, we find the ratio the same: 71 cents to $1.00.[6]

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[4] Ibid, pp. 50-51.

[5] Current Population Reports, Consumer Income, (U.S. Dept. of Commerce, Washington, D.C.) July 1978.

[6] U.S. Civil Rights Commission, Social Indicators of Equality for Minorities and Women, Aug. 1978, pp. 23-25.

The majority of Hispanics with college degrees are relatively young. The impact of these degrees on their earning capacity have yet to realize. Furthermore, the low percentage rate of Hispanics working as managers and administrators (5 percent) would indicate that doors of opportunity have yet to be fully opened.

One very optimistic feature of the Hispanic's labor market characteristics is their labor market participation rate. While faced with disadvantages of low education and low earnings the Hispanic male works and seeks work at a higher rate than any other group. The Hispanic participation rate is 77.7 percent compared to 76 for all persons and 77 for White.[7] The initiative and desire to achieve equality strongly exists among the Hispanic population. However, it is necessary that we request this committee to examine their appropriations as a means to expanding opportunity and growth for the Hispanic community.

SER-Jobs For Progress is aware of the economic pressures faced by this Congress; inflationary spending, low and unstable productivity, high interest rates which curb growth, and restraint in the government's Federal budget. On the other hand, we support the Humphrey-Hawkins Act for full employment with the reduction of unemployment to 4% for the overall labor force and 3 percent for workers aged 20 and over, and the reduction of inflation to 3 percent. However, we must watch carefully how the goals are met, because it is too easy to see these goals met and yet no significant change occurs within the Hispanic community. We recognize that the aggregate population may adhere to the goals established by the Council of Economic Advisors as presented by Mr. Schultze, the chairman of the Council before the House Subcommittee on Employment Opportunities, February 14, 1979. Mr. Schultze stated in his testimony:

"While the unemployment rate among some groups remains very high, for others it has fallen to relatively low levels, and the overall rate of unemployment has declined to the top of the range within which there appears to be an increasing risk of accelerating inflation."[8]

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[7] U.S. Department of Labor, Workers of Spanish Origin, Bulletin 1970 (Washington, D.C., 1978).

However, herein rests our fears. We do not want to find the Hispanic community a part of "some groups". Therefore to insure that the economic goals of the nation are inclusive of the Hispanic we are presenting a similar set of goals which will coincide with the administration's goals and fully account for the nation's Hispanic community.

Hispanic Economic and Social Goals & Projections

Item	1980	1981	1982	1983	1984
A. Total population (millions)[1]	12.435	12.659	12.887	13.119	13.355
B. Employment (millions)[2]	4.412	4.540	4.682	4.824	4.971
C. Unemployment (% rate)	8.5	7.5	6.3	5.1	4.0
D. High school completion (% rate for all 25 years and over)	42	44	46	48	50
E. College completions (% rate for persons 24 - 29 years)	11	12.5	14	15.5	17
F. Management and Admin. Occupations	6	8	10	12	1
G. Median Earnings Per Capita[3]	$3,050	$3,294	$3,657	$3,912	$4,3
Head-of-Household	8,100	8,748	9,447	10,392	11,4
H. Poverty Status (% rate of Hispanic families)	23	22	21	19.5	1

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1. These population figures are based on the 1978 Current Population Report. The 1978 CPR gives 12 million Spanish origin and an 1.8% rate of natural increase (births over death) per year estimate.
2. Employment figures are also based on a 1.8 increase of the labor force of 1978 minus the unemployment rate noted below.
3. Earnings are increased at 8 per year for '81, '82' and 10% for '83 and '84.

We recognize that the eight 1984 above goals are admirable and ambition. These goals can only be realized through a highly coordinated effort which will demand efficiency and effectiveness from everyone involved.

I would now like to take the time to present each goal in light of its magnitude and the legislation which will contribute to producing the overall 1984 results.

A. Total Population

The total Hispanic population will continue to increase throughout the 1980s. This fact is well known, however, what must be emphasized is the rate and substance of the growth. To deal effectively with the population the legislation must appropriate adequate funds to track and count the population. SER supports and requests that adequate funding be made available to the Bureau of Labor Statistics and the Census Bureau to carry out the recommendations of the Commission on Employment and Unemployment Statistics. In particular, we recommend that the costs of increasing the sample size for the Current Population Survey be made sufficient to allow the BLS and Census Bureau to design fifty state samples to ensure that all states are appropriately represented. The Hispanic population is no longer contained a few southwestern states and New York; moreover this population is found in increasing numbers throughout the Nation. Furthermore, SER adamantly supports the following recommendations:

> The commission supports the development of more reliable monthly data for blacks and Hispanics... and recommends that the production of such data be given high priority CPS Sample design following the 1980 census and in the sample expansion which the commission has recommended for the collection of state and area data.[7]

The Commission further recommends that the sample size and composition be increased of those establishments surveyed for data found in the BLS *Employment and Earnings*.[8] This data contains details of occupation and wage status which must also address the Hispanic. At present it does not. SER supports the Commission's recommendation and additionally recommends that the data include Hispanics at whatever additional costs may be incurred.

The amount and kind of data available on Hispanics total population is definitely inadequate. In order to reach our goals SER must vehemently encourage that adequate funding be made available to provide this needed data.

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[7] National Commission on Employment and Unemployment Statistics, *Counting the Labor Force: Preliminary Draft*, (Washington, D.C., Jan. 1979).
[8] Ibid., pp. 144-146.

B and C. Employment and Unemployment.

A four percent unemployment rate for the Hispanic by the year 1984 is a very ambitious goal, but not an unattainable one. Two factors will continue to contribute to a growing Hispanic labor force. One, the large young population (average age in the Hispanic community is only 22 years) will move aggresively into the labor market for the next ten years. Two, the number of Hispanic women who are becoming members of the active labor force is increasing 10 to 12 percent a year. These new labor entrants in addition to the existing Hispanic labor force will require the complete scope of services made available by current legislation if we are to obtain the four percent unemployment goal by 1984. Legislation such as the Comprehensive Employment and Training Act, the Wagner-Payser Act, The Fair Trade Act, and the Social Security Act (Title IX) Work Incentive must be made to target their resources on the Hispanic eligibles.

Programs for Hispanic youth, displaced homemakers, women heads-of-household, and structurally unemployed, low income males must receive priority in the allocation process. At present there are approximately 26 million eligible persons for CETA Title II, II-D, and VI and only 2.4 million will receive services. For 1978 the Hispanic population had 2 million eligibles for Title I of CETA and only 161,000 or 8 percent received services. For Title II there were 1.6 million eligible Hispanics and less than one percent participated.[9] Obviously SER must solicit the Appropriation Committee to focus more determinantly its resources on the Hispanic population most in need. The Work Incentive Program and Youth Programs must also be more directly targeted to seek out and serve the Hispanic.

D. High School Completions.

SER has established a high school completion rate which increases at two percent per year until it reaches 50% in 1984. We recognize this as a conservative goal yet one which demands highly complex coordination and cooperation from the national level to the local level. The resources needed to carry out this goal cannot derive solely from DOL and HEW. However, the model, the intent demonstrated to focus on the Hispanic educational attainment from the direction set by this committee defintely faciliates what occurs at the local level.

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[9] Barnes, William: Target Groups Chapter III, Third Annual Report of the National Commission for E&T Policy.

The resources targeted to Hispanics to obtain this goal, of course, will contribute to attainment of every other goal described in this presentation. SER firmly believes in the notion that the human resource investment in education returns the greatest social dividends for the overall population. We request further, however, that this investment be targeted to the Hispanic community through the various pieces of legislation aimed at providing educational opportunity. At present more than 17 percent of the Hispanic who are 25 years old or more have less than five years of school. For the total population the rate is 3.6 percent. This educational deficiency within the Hispanic community will severly hinder social and occupational mobility unless special efforts are undertaken at the national level. Legislation such as the Elementary and Secondary Education Act, the Post-Secondary Education and Vocational Educational Act, and Adult Educational Act must have the resources to concentrate on the special problems of the Hispanic population. Not only must the resources be available, but also they must be designated to serve our specific population. There must be a continual effort to provide programs for Persons of Limited English Speaking Ability and Bi-lingual Education at every level. This kind of effort will only occur when the members of this esteemed committee are willing to designate that a substantial portion of the budget be directed to the Hispanic population of the Nation.

E. College Completions

Attending the universities and colleges is becoming more expensive and therefore more exclusive. It is only through the concerns of the nation's policy makers and legislators that these barriers can be overcome for the minority student. To raise the college completion rate from

11 percent to 17 percent is asking for a 55 percent increase in four years. However, such a raise is a challenge that the Hispanic community is willing to accept to support it. The momentum already existing within the Hispanic is indicated by the following:

1977: Percent of 25 years old having 4 years of college 4.5

1978: Percent of 25 years old having 4 years of college 7.1[10]

The percent increase from 1977 to 1978 is 57 percent. This increase has occurred because of federal intervention strategies. SER wants to maintain such specific intervention from the federal level to ensure that the goal will be met. This intervention can be sustained by the Committee through its effort to target DOL and HEW resources on Hispanic college completions.

F. Management and Administration Occupations.

These occupations are where the major decisions are made which direct our national resources and efforts in the public and private sectors. The key to participating in these occupations is education. Therefore, if SER can contribute to the goals mentioned above, if the committee allocates to the goals already mentioned then we can realize the goal of 14 percent Hispanic in Management and Administration occupations addressed above. This goal cannot be solely funded through a particular Act, but must also be demonstrated by hiring practices within the Departments of HEW and DOL. During the 1980's the Hispanic managerial talent will become available and now is the time to begin setting the trends which will utilize this talent. Of course having Hispanics in these positions will open the way for future Hispanics seeking administrative careers in the public and private sectors. Actually, given the age and population of the Hispanic a 14 percent rate is quite modest.

G and H. Median Earnings Per Capita and Poverty Status.

Obviously, as we approach the goals mentioned above we will see some increase in earnings and a decrease in the poverty status of the Hispanic and their families.

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[10] U.S. Dept. of Commerce, Bureau of Census, Current Population Reports, Series p-20. No. 328 (Washington, D.C., Aug. 1978).

These indicators must be watched carefully and causiously while the threats of inflation or recession seem prevelant in the economy. Employment and training programs, educational programs, and various transfer payment programs increase inflationary pressure. Yet if reasonably directed to the most in need, the structurally unemployed who are not pressuring specific occupational classifications there will be no inflationary push by targeting resources on the Hispanic population. Yet while the median earnings per capita of the Hispanic remains at 50 percent that of the white, the Hispanic must produce the greater effort to maintain themselves in the inflationary economy. Family members are forced to go to work rather than pursue education, they are locked into low paying jobs and occupations because they cannot take advantage of training programs or college assistance programs. Their perpetual lingering in unemployment and low paying jobs minimizes their productivity thereby adding to inflation and economic waste.

Again SER must request that this committee commit resources directly to the Hispanic population through special programs and Titles found within the legislation already existing. We request that these resources assist in reducing the number of Hispanic families in poverty and raise the earning capacity of our population.

SER-Jobs for Progress and its sponsoring organizations have presented a brief overview of our population's social economic status and a series of reasonable goals and milestones which if met will lead the Hispanic into greater equity with this society. SER further recommends that this committee emphasize appropriation language which guarantees a directed focus of DOL and HEW funds on the Hispanic community. Additionally, these Executive Departments must be charged to use innovative and responsive delivery systems to insure maximum efficiency and effectiveness. These departments must be encouraged to utilize the minority Community Based Organization (CBO) such as SER and others like it. The structure of these organizations, linked as they are, to the community they serve will insure the efficiency of federal dollars used. The competency and experience that the minority CBO has developed in the last ten years will insure the effectiveness of the services delivered. SER wants to emphasize that we view CETA as a key resource for achieving these goals by 1984. That CETA, if properly targeted and focused to the Hispanic need, will contribute immensely to the overall well being of the Hispanic and the Nation. Finally, SER wants to play an active and aggressive role in this opportunity to enhance the Hispanic in this country.

REPROGRAMING FOR NATIONAL PROGRAMS

Senator EAGLETON. We've been told that Secretary Marshall will soon submit a reprograming request of this committee to restore $45 million of the $55 million for fiscal 1980 cut in the national programs. It couldn't go the full way, probably doesn't meet with your complete satisfaction, but it's a substantial improvement from your request.

Ms. TUKEVA. It's something, yes.

Senator EAGLETON. OK.

Mr. Yeager?

STATEMENT OF MATTHEW G. YEAGER, ADJUNCT PROFESSOR OF JUSTICE, THE AMERICAN UNIVERSITY, COLLEGE OF PUBLIC AFFAIRS

Mr. YEAGER. Thank you, Mr. Chairman.

I am Matthew G. Yeager, Adjunct Professor of Criminology at the School of Justice, American University, here in Washington, D.C.

Since the early part of 1978, I have been involved in a concerted effort to improve the Department of Labor's offender initiative under the Comprehensive Employment and Training Act of 1972 as amended.

As you well know, the passage of CETA spawned a fundamental change in the operation of most DOL manpower programs. The bulk of the resources and decisionmaking responsibility shifted from the national and regional offices of DOL to the prime sponsors.

Title III of CETA authorized the Secretary of Labor to provide additional employment and training services to offenders, in addition to other groups—such as older workers, youth, native Americans, and persons with limited English-speaking ability.

Beginning in fiscal year 1974, programs for offenders were transferred to the Office of Community Employment Programs, the division assigned primary responsibility for supplying technical assistance. And so began the program's dismantling.

CETA OFFENDER PROGRAMS

The table presented below provides ample evidence for what has happened to CETA offender programs. Although title III mandated that "additional manpower services" would be provided to offenders, this has never occurred. In fact, since the end of fiscal year 1976, the program has been virtually dormant.

I think you can see from the chart on page 2 of my testimony exactly how I am illustrating that very point.

Currently, little or no moneys are being expended on direct service efforts. DOL has erroneously interpreted its responsibility on the national level as that of providing technical assistance to prime sponsors. The effort remains one of jawboning prime sponsors to use some of their entitlement grants for offenders and providing them with technical assistance manuals to implement offender programs of their own design.

Much as a result, of the 460 prime sponsors, it is estimated that only about 50 have embarked on some kind of special program for offenders. It should be noted that of a national civilian labor force of approximately 100 million persons, fully 25 million meet DOL's definition of an offender.

Nevertheless, CETA prime sponsors report that only about 5 percent of their clients officially identify themselves as ex-offenders. Whether the 5-percent figure is accurate, the fact remains that the majority of prime sponsors have steadfastly avoided meeting the employment difficulties of offenders. Several reasons have been identified for the reluctance of prime sponsors to undertake programs on behalf of offenders:

The unpopularity of providing services to offenders;

The much higher cost per client ratio required of ex-offenders; and

The difficulty of dealing with the criminal justice system, which at any point in time may revoke the offender, thereby forfeiting the CETA investment.

CLAY OFFENDER AMENDMENTS

For these reasons, Mr. Chairman, the Clay offender amendments were passed by Congress last year in order to strengthen the faltering offender program.

Specifically, these new amendments are designed to require DOL to undertake programs to eliminate artificial barriers to offender employment, to require prime sponsors to address the needs of offenders in their annual plans, to enable the national DOL office to provide planning grants to prime sponsors for the implementation of offenders programs, and to conduct an annual survey of prime sponsors for the purpose of assessing the scope of offender programs. A more comprehensive explanation of these amendments is attached as an exhibit to this testimony.

As of today, I can report that DOL has yet to approve a plan to implement the new offender amendments. Mr. Chairman, Congress designated offenders as a special target group requiring nationally sponsored services because of the experience that offenders were traditionally excluded from regular programs. Despite the pleas of numerous offender organizations, despite the passage of the new amendments, the Department of Labor has done virtually nothing to embark on a program of direct offender services.

RECOMMENDED REPORT LANGUAGE

I therefore respectfully recommend that the subcommittee's report to accompany the fiscal year 1980 DOL appropriation include the following language, that can be found on page 5 of my testimony:

"That the subcommittee instruct the Department of Labor to transfer its offender unit from the current Office of Community Employment Programs to the Office of National Programs, where projects for native Americans and migrant workers are administered.

"That at least $5 million be earmarked for such an offender program."

Mr. Chairman, this concludes my formal testimony. I would be pleased to answer any questions the subcommittee may have.

[The statement follows:]

STATEMENT OF PROFESSOR MATTHEW G. YEAGER

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Title III of CETA authorized the Secretary of Labor to provide additional employment and training services to offenders, in addition to other groups -- such as older workers, youth, Native Americans, and persons with limited English-speaking ability.

Beginning in fiscal year 1974, programs for offenders were transferred to the Office of Community Employment Programs, the division assigned primary responsibility for supplying technical assistance. And so began the program's dismantling.

The table presented below provides ample evidence for what has happened to CETA offender programs. Although Title III mandated that "additional manpower services" would be provided to offenders, this has never occurred. In fact, since the end of fiscal year 1976, the program has been virtually dormant.

TITLE III EXPENDITURES FOR OFFENDERS
(Special Target Groups)

Fiscal Year	Obligated	Expended
1974	$5,000,000	$3,735,354
1975	$5,000,000	447,641
1976	$5,794,000	$3,460,290
1977	$5,000,000	199,961
1978	$4,000,000	0
1979	$2,500,000	0

Note : Figures do not include funding under research, training, and evaluation of Title III.

As you can see from the above table, very little has been spent in the way of program money for offenders.

Currently, little or no monies are being expended on direct service efforts. DOL has erroneously interpreted its responsibility on the national level as that of providing technical assistance to prime sponsors. The effort remains one of jawboning prime sponsors to use some of their entitlement grants for offenders and providing them with technical assistance manuals to implement offender programs of their own design.

Much as a result, of the 460 prime sponsors, it is estimated that only about 50 have embarked on some kind of special program for offenders. It should be noted that of a national civilian labor force of approximately 100 million persons, fully 25 million meet DOL's definition of an offender.* Nevertheless, CETA prime sponsors report that only about 5 percent of their clients officially identify themselves as ex-offenders. Whether the "5%" figure is accurate, the fact remains that the majority of prime sponsors have steadfastly avoided meeting the employment difficulties of offenders. Several reasons have been identified for the reluctance of prime sponsors to undertake programs on behalf of offenders:

- The unpopularity of providing services to offenders;
- The much higher cost per client ratio required of ex-offenders; and
- The difficulty of dealing with the criminal justice system, which at any point in time may revoke the offender, thereby forfeiting the CETA investment.

For these reasons, Mr. Chairman, the Clay offender amendments were passed by Congress last year in order to strengthen the faltering offender program.**

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* See "A Study of the Number of Persons with Records of Arrest or Conviction in the Labor Force," U.S. Department of Labor, Office of the Assistant Secretary for Policy, Evaluation, and Research. January 1979.

** See the CONGRESSIONAL RECORD of August 9, 1978, pp.H8167-H8169 for an explanation of these amendments.

Specifically, these new amendments are designed to require DOL to undertake programs to eliminate artificial barriers to offender employment, to require prime sponsors to address the needs of offenders in their annual plans, to enable the National DOL office to provide planning grants to prime sponsors for the implementation of offenders programs, and to conduct an annual survey of prime sponsors for the purpose of assessing the scope of offender programs. A more comprehensive explanation of these amendments is attached as an exhibit to this testimony.

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I therefore respectfully recommend that the Subcommittee's report to accompany the fiscal year 1980 DOL appropriation include the following language:

- That the Subcommittee instruct the Department of Labor to transfer its offender unit from the current Office of Community Employment programs to the Office of National Programs, where projects for Native Americans and migrant workers are administered.

- That at least $5 million be earmarked for such an offender program.

Mr. Chairman, this concludes my formal testimony. I would be pleased to answer any questions the Subcommittee may have.

ANALYSIS OF CETA AMENDMENTS OF 1978:

THE OFFENDER PERSPECTIVE

In October 1978, the U.S. Congress passed legislation reauthorizing programs established under the Comprehensive Employment and Training Act of 1973. The 1978 amendments to CETA contain numerous provisions pertaining to local prime sponsor programs and national programs for offenders.

(1) The new definition of offender illustrates the two major thrust of these amendments. Section 3(18) of the Act as amended defines offender as "any adult or juvenile who is or has been subject to any stage of the criminal justice process for whom employment and training services may be beneficial or who requires assistance in overcoming artificial barriers to employment[1] resulting from a record of arrest or conviction." This definition (1) continues the former broad inclusion of arrestees (without conviction) among offenders and authorizes DOL aid to offenders where they need employment and training assistance and (2) adds the concern for the effect of the record upon employment opportunities.

Offenders who are incarcerated are included in the definitions of persons who are economically disadvantaged (Section 3(8)(D)), or unemployed (Section 3(28)(B)(i)), but permits the DOL to exclude some inmates by regulation. Provision of most services under CETA is limited to persons who are economically disadvantaged and/or either unemployed or underemployed. These definitions are intended to formalize those DOL policies which permitted offenders to receive CETA services. One problem in the past was resolved by allowing offenders released from prison to count as time in the labor market the time during which they were eligible for work release so as to meet the 15 week unemployed requirement for public service employment.

(2) The new provisions describing the activities expected of prime sponsors follow the offender definition twin concerns for traditional manpower services and for the effect of criminal records: Section 103(b) calls for a description in the annual plan of the specific services for individuals who have employment handicaps, including offenders. Section 103(a)(19) requires the prime sponsor to describe in its comprehensive plan, its efforts to remove artificial barriers to employment. Section 103(b)(11) calls for description in the annual plan of the procedures to be used in removing artificial barriers to employment including

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[1] Section 3(3) which defines artificial barriers to employment to mean "limitation in the hiring, firing, promotion, licensing and other terms and conditions of employment which are not directly related to an individual's fitness or ability to perform the duties required by the employment position."

those resulting from the policies of the political units, subgrantees and contractors of the prime sponsors.

The emphasis upon artificial barriers to employment is continued in the provisions setting up the prime sponsor planning council, which is to participate in the development of the prime's plan and provide for continuing analysis of the need for services, including efforts to reduce barriers to employment (Section 109 (e)(3)). All programs are expected to contribute to the "maximum extent feasible" to the elimination of artificial barriers (Section 121(9)(4)). With respect to public service jobs funded by CETA, the Secretary is to issue regulations to assure that prime sponsors undertake to job descriptions and revisions of qualifications for all levels of employment where barriers exist (Section 122).

Two other significant provisions are Section 122(b)(3)(A) giving special emphasis in filling public service jobs to persons identified in Title III, including offenders and Section 126(a)(2) requiring that program evaluation criteria take into account the nature of the employment barriers faced by the population served. The latter provision is intended to ensure that prime sponsors serving offenders are not penalized because offenders are a difficult population to place in jobs.

(3) Continued in the Act is the provision authorizing the state coordination and special service activities (i.e., the office receiving the Governor's 4% discretionary fund) to set up model programs for offenders (Section 105(b)(9)).

(4) Two national DOL programs for offenders are authorized in Title III of the Act. First, Section 302(b)(2) mandates DOL to provide financial assistance to programs for offenders, including support services. Emphasis is to be placed upon offenders in contact with the justice system or recently released (e.g., persons receiving a non-parole release from prison or having completed probation and parole or had their case dismissed in the courts). Services are to be comprehensive and coordinated with other services to offenders. Planning grants to serve offenders are authorized to be given to the states or prime sponsors. The reference to planning grants makes it clear that this program is not limited to working through the CETA prime sponsor network, but should provide assistance to those agencies serving offenders who are willing to work to bring together all other service agencies (see also, the Federal Joint Funding Act). As with the earlier joint DOL-LEAA Comprehensive Offender Program Effort (COPE), the state governor would determine who is responsible for state-wide planning for offenders. The lack of uniformity among local government structures probably is responsible

for Congress not inserting into the bill provision for similar discretion to be allowed at that level, so that local planning for offenders will be by the prime sponsor or delegated by them to another agency such as the LEAA regional planning unit. The use of the mandatory financial assistance language should result in DOL abandoning its prior reliance on technical assistance for the Title III offender program. Eligible recipients of Title III would not be limited to CETA prime sponsors, but the primes must be involved in the service plan (except in the unlikely case where their help is not needed to fully serve all offenders).

Second, Section 111(g) calls for DOL to conduct an educational and assistance program to eliminate artificial barriers to employment. This is a new program, designed to help private and public employers (1) comply with existing federal laws such as Title VII, Civil Rights Act of 1964, Vocational Rehabilitation Act Amendments of 1973 or the Age Discrimination Act and (2) voluntarily eliminate any other employment barriers not presently covered by law. Although part of CETA, this provision would seem just or relevant to the work of DOL's Employment Standards Administration as the Employment and Training Administration.

Both Title III provisions call for supporting research to identify problem areas and set priorities for DOL actions.

(5) The Act does not cover all problem areas in DOL's serving offenders, previously identified. Two major concerns are (1) the matching of the CETA prime network to the state corrections structure and (2) the crossover between the offender population and other priority subpopulations for CETA services such as veterans, the handicapped and youth. The existing amendments do permit creative solutions to these problems, but do not explicitly require them. For example, the state offender planning unit for which funding is authorized under Section 301(b)(2) could be asked to seek and coordinate funding contributions to prison programs from all prime sponsors who serve jurisdictions where significant numbers of inmates last had their residences. Alternatively, DOL funding for programs under Section 301(b) could be given to the state office charged by the governor with developing a comprehensive service plan to include the balance of state prime, the governor's 4% funds, state corrections, etc.

* * *

The Act amendments will probably not take effect until spring 1979 when DOL expects to issue new regulations for the prime sponsors. Most prime sponsors will then begin planning for the new fiscal year that begins October 1979. It is now known when DOL will provide funds for programs under either of the Title III provisions noted above.

TRANSFER OF THE PROGRAM

Senator EAGLETON. The office to which you are recommending the program be transferred is the one the Department is thinking of abolishing. You want to transfer it there rather that abolish it?

Mr. YEAGER. No, sir.

Senator EAGLETON. Ms. Kobell.

STATEMENT OF RUTH KOBELL

Ms. KOBELL. Senator, I am Ruth Kobell, to speak in support of an employment program which we believe has made an important contribution to our society, the senior community service employment program authorized under title V, now formerly title V of the Older Americans Act.

We're proud to have sponsored the Green Thumb program which operates under this legislation and provides employment for older, low-income men and women in rural areas to do community service work, to assist rural communities in delivering services to disadvantaged citizens, and to the community at large.

GREEN THUMB PROGRAM

I think you and other members of the subcommittee are familiar with the work of Green Thumb, but I'd like to review what I think is a great demonstration of its value. The celebration of Willie Brown's birthday in Florida this month particularly demonstrates the contribution the program makes.

Willie Brown, a Green Thumb worker in Florida, at 104 is the oldest worker on the program. He was first enrolled December 8, 1972, after sitting at home for many years. In March of 1977 he was hospitalized with gangrene which resulted in the loss of two toes from each of his feet.

Doctors told the director of the Florida Green Thumb unit that Willie would never be able to work again. He was then placed in a rest home to recuperate.

While there he decided to go back to work, not waste away. He arrived at his former job with the U.S. Forest Service eager to work. Needless to say, he is now back at work as a member of the maintenance crew, clearing brush and planting trees. He continues to pay taxes and to support himself instead of relying on the costly services of nursing home care footed by medicaid.

We recognize the great pressure which Congress and the administration face in fighting inflation and in working toward a smaller Federal deficit. Because the senior community service employment program specifically attacks the problem of structural unemployment and therefore aggressively fights against inflation, we urge the support of this committee in providing supplemental appropriations for fiscal year 1979 to increase funding for the senior community service employment program from the present level of $211.7 million to $300 million. This would increase the enrollment level from 47,500 work opportunities to almost 65,000 jobs.

An expansion in this program is needed during this period of austerity because nearly one out of every five Americans 60 years or older is either poor or marginally poor. As you know, when Congress reauthorized the Older Americans Act in 1978, you increased the eligibility guidelines for participants [illegible] title V from the poverty level income to 125 percent of poverty. In doing so it is estimated the number of potentially eligible participants was increased by 2.7 million men and women from the 5.5 million to a total now of 8.2 million people who would be eligible to participate.

Our experience shows that a great number of these people are anxious and willing to work at jobs that will give them a sense of self-esteem and personal respect.

I wasn't in favor of that. We did not treat it in our testimony, either, as you may remember, but it was acted upon. We both discussed the fact that we got a great many more people now that we can serve because we now have a potential 8 million people. In our experience that shows that a great many of these people would like to have an opportunity to work and use their skills and experience and feel they're part of the mainstream.

CONGRESSIONAL SUPPORT OF TITLE V

Through the wonderful support of Congress in years past, title IX, now title V, has moved into the position of being foward funded. Funds provided under fiscal year 1979 appropriations will be obligated prior to July 1, 1979, to carry the program to June 30, 1980.

INCREASE IN MINIMUM WAGE

The title IX program is now operating at an appropriations level of $209 million. Congress has mandated that the program provide at least 47,500 job opportunities which will require $211.7 million for the program year July 1, 1979, to June 30, 1980. The administration budget has requested an $8.9 million supplemental appropriation to cover additional costs because of the increase in minimum wage which will be increased from $2.60 per hour when current appropriations were slated to $3.10 per hour on January 1, 1980.

Title IX workers are paid Federal or State minimum wage rates or the prevailing wage rate for work performed, whichever is highest.

The Federal minimum wage is scheduled to increase from the current $2.90 to $3.10 on January 1, 1980, midway through the next program year. Nearly all of Green Thumb workers are paid the Federal minimum wage.

OLDER AMERICANS ACT

We also urge that in your work on the fiscal year 1980 appropriations you provide an appropriation of $350 million which is the authorized amount under the new Older Americans Act and the amount provided by the budget resolution. This would then provide funds for continuation of the program for July 1, 1980, to June 30, 1981, at a worker level of approximately 70,000 positions.

As you know, several new national organizations were added to the list of program sponsors on July 1, 1978 with relatively small initial program levels. The governors of the States had allocated 20 percent of the funds to establish statewide programs, but under the new legislation they will receive 55 percent of the new money. If these programs are to grow and support for the long-time national program sponsors is to continue, full appropriation levels are needed.

TOTAL RECOMMENDATIONS

Senator EAGLETON. What's the bottom line of all your recommendations, total?

Ms. KOBELL. The bottom total would be to move roughly $80 million from what is probably a $220 million level with the increased——

Senator EAGLETON. Do you have anyplace where you think we can transfer that $80 million from?

Ms. KOBELL. I would point out a couple things, Senator. First, I suppose the matter of paying minimum wage to Willie Brown down in Florida is probably more cost effective than keeping him in a nursing home, if he's screened ineligible. We also have testified to the budget committees that we think we do need to carefully look at priorities. We note in relation to argricultural sectors that in the early fifties when we had 100-percent parity, we had, I think, something less than 3 percent unemployment and something less than 2-percent inflation.

And it seems to me that one of our great needs to is try and get people, both older people and younger people, structurally unemployed people, into working, into producing for our society, into doing a lot of things that, you know, we recognize have to be done in cleaning up the environment, which we now point out is a very expensive need, in part, people to work at it.

AMERICAN ASSOCIATION OF RETIRED PERSONS

So I think part of it is a matter of figuring out the best use of our fund. The American Association of Retired Persons last year—and I expect you have it in your files—made a study which proved how cost effective this program was in making it possible for people to move off other support programs into unemployment programs.

I guess one other point I would make is that I'm a signator for Green Thumb in signing checks as a liaison with our president, with the administration of Green Thumb. And every time they issue a payroll twice a month, they also issue a check for over $300,000 and a deposit for social security and withholding taxes, which goes back to the Government as part of the contribution of the workers, both Green Thumb workers and adminitrative workers for Green Thumb.

So it's rough run.

Senator EAGLETON. Thank you, folks, very much. I appreciate your testimony.

[The statement follows:]

STATEMENT OF RUTH E. KOBELL

I am Ruth E. Kobell, legislative assistant, National Farmers Union, 1012 14th Street, N.W., Washington, D.C. 20005.

I want to speak in support of an employment program that we believe has made an important contribution to our society, the Senior Community Service Employment Program, Title V (formerly Title IX) of the Older Americans Act.

National Farmers Union is proud to sponsor the Green Thumb program which is authorized and funded under this legislation. It provides employment opportunities for older low-income women and men in rural areas to use their experience and skills to deliver needed services and assistance to rural communities and to disadvantaged citizens within those communities.

Mr. Chairman, I believe that members of this Subcommittee are familiar with the service provided by Green Thumb workers. I think that the celebration of Willie Brown's birthday in Florida this month particularly demonstrates the contribution the program makes. Willie Brown, a Green Thumb worker in Florida, at 104 is the oldest worker on the program. He was first enrolled December 8, 1972 after "sitting at home" for many years. In March of 1977, he was hospitalized with gangrene which resulted in the loss of 2 toes from each of his feet. Doctors told the Director of the Florida Green Thumb unit that Willie would never be able to work again. He was then placed in a rest home to recuperate. While there he decided to go back to work; not waste away. He arrived at his former job with the U.S. Forest Service eager to work. Needless to say, he is now back at work as a member of the maintenance crew, clearing brush and planting trees. He continues to pay taxes and to support himself instead of relying on the costly services of nursing home care footed by Medicaid.

We recognize the great pressure which Congress and the Administration face in fighting inflation and in working towards a smaller federal deficit. Because the Senior Community Service Employment Program specifically attacks the problem of structural unemployment and therefore aggressively fights against inflation, we urge the support of this Committee in providing supplemental appropriations for fiscal year 1979 to increase funding for the Senior Community Service Employment Program from the present level of $211.7 million to $300 million. This would increase the enrollment level from 47,500 work opportunities to almost 65,000 jobs.

An expansion in this program is needed during this period of austerity because nearly one out of every five Americans 60 years or older is either poor or marginally poor. As you know, when Congress reauthorized the Older Americans Act in 1978, you increased the eligibility guidelines for participants in Title V from the poverty level income to 125 percent of poverty. In doing so it is estimated the number of potentially eligible participants was increased by 2.7 million men and women from the 5.5 million to a total now of 8.2 million people who would be eligible to participate. Our experience shows that a great number of these people are anxious and willing to work at jobs that will give them a sense of self-esteem and personal respect.

Through the wonderful support of Congress, in years past, Title IX (now Title V) has moved into the position of being forward funded. Funds provided under FY 1979 appropriations will be obligated prior to July 1, 1979 to carry the program to June 30, 1980.

Since the Older Americans Act was not passed until late in the last session, the programs authorized under it are funded on a continuing resolution. This means that unless it is possible to provide additional funds under a FY 1979 supplemental appropriation, no growth in this program would be possible during most of the program year 1980.

The Title IX program is now operating at an appropriations level of $200.9 million. Congress has mandated that the program provide at least 47,500 job opportunities which will require $211.7 million for the program year July 1, 1979 to June 30, 1980. The Administration budget has requested $8.9 million supplemental appropriations to cover additional costs because of the increase in minimum wage which will be increased from $2.60 per hour, when current appropriations was slated, to $3.10 per hour on January 1, 1980. Title IX workers are paid Federal or State minimum wage rates or the prevailing wage rate for work performed, whichever is highest.

The federal minimum wage is scheduled to increase from the current $2.90 to $3.10 on January 1, 1980, midway through the next program year. Nearly all of Green Thumb workers are paid the federal minimum wage.

We also urge that in your work on the FY 1980 appropriations you provide appropriation of $350 million which is authorized under the new Older Americans Act and the amount provided by the Budget Resolution. This would then provide funds for continuation of the program for July 1, 1980 to June 30, 1981 at a worker level of approximately 70,000 positions.

As you know, several new national organizations were added to the list of program sponsors on July 1, 1978 with relatively small initial program levels. The Governors of the states were allocated 20 percent of the funds to establish statewide programs; but under the new legislation they will receive 55% of the new money. If these programs are to grow, and support for the long-time national program sponsors is to continue, increased appropriation levels are needed.

At a time when all federal programs are under careful scrutiny, we present these recommendations for increased funding because we believe it is a productive investment for our Nation.

Rural areas often suffer from a low tax base because by their nature they lack the heavy industry, utilities and concentrations of population on which to levy taxes. Yet the cost of delivering services to citizens of rural areas is higher because of poor transportation, long distances and limited resources that attend sparce population patterns.

A recent study by the National Rural Center, "The Rural Stake in Public Assistance" states "Regardless of how one may view the quality and quantity of public assistance programs in urban areas--the inadequacies, inequities and gaps in coverage in public assistance programs in rural areas and rural states generally are greater and more widespread than in urban areas and states."

Green Thumb spends a major amount of program effort in helping to deliver services to their neighbors in rural areas.

Green Thumb workers help to operate rural transportation systems, as drivers, escorts, and dispatchers. They deliver meals to homebound seniors and disabled. They do the outreach that brings those same people to town to see the doctor, apply for food stamps, or buy groceries, or have dinner at the senior center.

Green Thumb workers help to extend services at the local school lunch programs, the senior centers, Head Start and local schools, and many even help the local Sheriff answer his phone, keep his office open and serve as radio dispatchers for deputies and officers on the beat.

I think the dual contribution made by Green Thumb workers is demonstrated by the program of home repair, renovation and weatherization. During the six month period covered by the attached report, over 1,000 Green Thumb workers used their skills and experience to improve the homes of older and disadvantaged citizens in their rural communities. It helps the householders stay in their homes and save the cost of much more expensive institutional care and it saves precious energy by conserving fuel. With 60 percent of the nation's substandard housing in rural areas, there is a big job ahead of us.

Green Thumb workers, like Willie Brown, are proud to be taxpayers instead of having to use tax supported programs to get along. National Farmers Union's President, Tony T. Dechant, has designated me as assistant secretary to sign checks for Green Thumb. One of the most impressive is a check for $300,000 issued twice a month as Green Thumb's deposit on withholdings and social security taxes returned to the federal government on every Green Thumb payroll, and of course, state income taxes also are paid in significant amounts.

The 1979 Report of the Joint Economic Committee issued March 15, 1979, noted "The arguments for fiscal and monetary restraining in light of the increasing rate of inflation have also been discussed. But this policy of restraint does not address the issue of structural unemployment. Special measures are needed to assist the structurally unemployed -- those who remain jobless when the economy reaches its potential output. The problem, then, is to devise policies and programs to reduce unemployment without resorting to stimulative actions that could be inflationary."

Chairman Bentsen said during the Committee's annual hearings, "The structurally unemployed are Americans who cannot find work in bad or in good times. They are forgotten Americans. They do not want welfare, they only want the opportunity to become full participants in our economic life. We can't afford to waste the energy, the intelligence and the ingenuity of these people."

By definition of eligibility, the Senior Community Service Employment Program addresses the needs of the structurally unemployed. Applicants must be "55 years of age, have a low income and poor employment prospects." Green Thumb endeavors to reach out to the most disadvantaged of this group, the oldest and the poorest in the rural communities where we operate the program.

Attached to our statement is a copy of the Quarterly Progress Report submitted to the Department of Labor on December 31, 1978. It presents a statistical profile of some 16,000 Green Thumb workers who were employed at that time. It shows 55% were women, 52% had an 8th grade education or less, 56.6% were over 65 years of age, 16.6% were Black, 4.0% Hispanic, and 3.2% native American Indians.

The report also lists 20 different catagories of service which these Green Thumb workers have performed. The detailed, state by state report of individual projects which is also provided to the Department of Labor gives an exciting and fascinating description of achievement.

G. William Miller, Chairman of the Federal Reserve Board, in testimony before the Joint Economic Committee this year said:

"On-the-job training is one of the most effective ways to deal with the problem (structural unemployment problem). There is no question about that......... I think you are absolutely correct, that this is something that needs more emphasis because of a greater probability of a trainee staying with a company where he has been getting his experience on the job."

Green Thumb has operated a small on-the-job program, funded under Title III of CETA for several years in an effort to place more older women and men in jobs in their communities. As you know, we always have many more applicants, as much as 20 times, for Green Thumb jobs than the program can possibly hire.

We try in every way we can devise to help these people move into private employment. But it is difficult in rural communities which often are also suffering all the problems of a chronically depressed economy to provide a wide variety of job opportunities for these structurally unemployed senior women and men.

The unemployment figures for the last several months have stood at 5.7 percent, a great mark of accomplishment for this Administration and our general economy. Even so, four states mark unemployment over 8% and 14 states are over 7%. Even these figures are misleading. Many rural residents, both old and young aren't even registered as unemployed because they are discouraged, or over normal retirement age, or have no previous work experience - or don't have access to the employment service to register for job placement. They believe they lack the skills and training for jobs that may be available in the private sector.

We believe we have a responsibility to use our experience gained through 14 years of administering Green Thumb to find better ways to attack these problems and we are developing several approaches in addition to our OJT program.

The Quarterly Narrative Report to the Department of Labor (attached to this statement) explains a demonstration placement project in Bedford County, Pennsylvania to test and develop placement techniques. It was chosen because of its high unemployment rate and depressed economic condition.

We hope methods developed here will be useful in planning senior worker placement in other areas. We believe the skills and insight of our experienced Green Thumb staff will prove invaluable in this important project.

Recommendation No. 11 of the Joint Economic Report says:

"Private, nonprofit intermediate organizations, which have proven to be highly successful in providing placement and support services to the structurally unemployed, offer a unique source of aid in solving the problem. Their role in public and private sector initiatives should be expanded."

Green Thumb is taking another important step, we believe, to serve another group of structurally unemployed with the development of the Green Thumb Young Workers Program, administered under the CETA Youth Community Service Demonstration Program (Title III, Part C, Subpart 2).

The Young Worker Program is a demonstration project that will employ young people from economically disadvantaged families.

They will work under supervision of senior Green Thumb workers to learn good work habits and job skills. The program will also give them some employment experience and help them find further employment.

The experimental approach is being tested in two states -- South Dakota and Oklahoma, and will employ some 150 young workers in each state.

The project includes an independent program analysis component so that an evaluation can be made on the effectiveness of the program and ways it can be replicated in other states and which techniques work best.

Administrator Godwin has also asked Green Thumb to participate in the Targeted Jobs Tax Credit program.

We believe the need to expand these programs and most profitably use the skills and experience gained from past successful program performance by Green Thumb and other program sponsors merits expanded support of the Senior Community Service Employment Program.

U.S. DEPARTMENT OF LABOR - Employment & Training Administration

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM - QUARTERLY PROGRESS REPORT

PROJECT SPONSOR Green Thumb, Inc.	REPORT PERIOD ENDING (Month & Year) December 31, 1975	PROGRAM NO. 41
CITY AND STATE Washington, D.C. (Summary)		TYPE OF REPORT (Check One) ☒ Interim ☐ Final
AGREEMENT NUMBER [illegible]	SUBPROJECT NO.	PROJECT PERIOD From July 1, 1975 To June 30, 1976
NO. ENROLLMENT POSITIONS ESTABLISHED ➤ ➤ 15405		UNSUBSIDIZED PLACEMENT GOAL ➤ ➤ 771

A. ENROLLMENT LEVELS (Number of Enrollees)

1. Carried over from previous period	15520	3. Placed in unsubsidized employment this period	420	5. Current enrollment (End of Period)	16045
2. Started under this period	2563	4. Other terminations this period	1618	6. Enrollment vacancies (End of Period)	-640

B. JOB INVENTORY

SERVICES TO GENERAL COMMUNITY	NO. JOBS	SERVICES TO ELDERLY COMMUNITY	NO. JOBS
1. Education	2051	11. Project Administration	1811
2. Health and Hospitals	546	12. Health and Home Care	476
3. Housing/Home Rehabilitation	145	13. Housing/Home Rehabilitation	543
4. Employment Assistance	124	14. Employment Assistance	75
5. Recreation, Parks, and Forests	967	15. Recreation/Senior Centers	836
6. Environmental Quality	477	16. Nutrition Programs	2294
7. Public Works and Transportation	1366	17. Transportation	365
8. Social Services	1051	18. Outreach/Referral	1609
9. Other	688	19. Other	211
10. TOTAL (1 - 9)	7415	20. TOTAL (11 - 19)	8630

C. ENROLLEE CHARACTERISTICS

	CHARACTERISTICS	STARTS (Cum.)	CUR. ENROLL.		CHARACTERISTICS	STARTS (Cum.)	CUR. ENROLL.
SEX	Male	1042	6949	RACIAL/ETHNIC GROUP	White (not Hispanic)	1951	12169
	Female	1521	9096		Black (not Hispanic)	395	2664
EDUCATION	8th & Under	1133	8344		Hispanic	90	636
	9th - 11th	578	3283		American Indian or Alaskan Native	108	519
	High School Grad or Equivalent	612	3299		Asian or Pacific Islander	19	57
	1 - 3 years College	185	886	AGE	55 - 59	600	2763
	4 yrs. College or more	55	234		60 - 64	760	4201
Family Income Below Poverty Level		2533	16015		65 - 69	680	4526
Veteran		270	1419		70 - 74	340	2820
D. AVERAGE HOURLY WAGE/CURRENT ENROLLMENT			2.72		75 and Over		1733

E. NARRATIVE REPORT (Attachment)	SIGNATURE By: Executive Vice-President	DATE

NATIONAL FARMERS UNION GREEN THUMB, INC.
QUARTERLY NARRATIVE REPORT
to the
DEPARTMENT OF LABOR

December 31, 1978

At the end of the quarter there were 15,405 permanent positions authorized for the Green Thumb, Inc., program. This figure includes the 1,086 additional positions authorized September 30, 1978.

As of that date there were 15,952 workers in the Green Thumb program nationwide. At the end of this quarter there were 16,045 Green Thumb workers, a net increase of 107 workers over the quarter, and a total of 640 enrollees over the authorized number. That figure is well within the 20 percent limit on temporary workers.

As stated in the narrative for the last quarter, the incorporation of the additional positions on September 30, 1978 caused no major problems for the state units. Only eight states had fewer enrollees than their authorized number at the end of this quarter. They were California, Florida, Illinois, Louisiana, Maryland, New Hampshire, Pennsylvania and West Virginia.

All the states are very close to their authorized number of enrollments (within 10 people) except for California (72 short), Florida (21 short) and Illinois (11 short). Florida has signed up 21 seniors who will begin work January 2, 1979. Illinois and California both had very large increases in their authorizations on September 30, 1978, 110 and 153 persons, respectively. California has been held up by flooding in their state office which forced them to move (See California Narrative). Illinois also had a very large number of placements into non-Green Thumb employment during the quarter (40 people).

During this quarter Green Thumb hired 99 people whom the American Association of Retired People could no longer employ because they were not refunded under Title (III). Green Thumb will also take on 58 AARP workers in Michigan starting January 1, 1979. The AARP workers already absorbed into Green Thumb program include 58 in Illinois, 19 in Iowa, and 22 in Washington.

Originally Green Thumb had agreed to take on workers in Georgia, North Dakota, South Dakota, Missouri, South Carolina and Oregon as well. But Glenn Northrup, National Director of the AARP program found that they could be accomodated in the AARP Title IX program. We will still take on AARP workers in Texas if that is necessary.

As agreed with Paul Mayrand at the Department of Labor, where the AARP people where earning more than Green Thumb workers in their area their salaries were brought down to the Green Thumb level. All the AARP employees were given furloughs as of November 1, 1978, and were put on Green Thumb payroll in mid-December. Green Thumb was able to take on the AARP people with no undue complications.

EXTREE ACTIVITIES

During the quarter the EXTREE staff has continued its series of regional training sessions. At each of these training sessions, various state staff members received instruction concerning methods of communicating with the mass media. This includes proper techniques for writing press releases, public service announcements, feature stories, and providing information for publications concerning both Green Thumb program activities and the presentation of facts concerning the economic benefits of employing senior workers.

These training sessions also include instruction concerning how to prepare displays for conferences and other public gatherings; project dedication activities; picture taking; speech making before public organizations and gatherings; etc.

The public service announcements developed by the National Unit have been successfully placed in various newpapers. The Farmers Union newspapers have used the ads and have taken the initiative of placing a photo of Green Thumb workers in the ad. We hope to continue this success with other publications and to develop further PSA's for use on radio and television.

OJT QUARTERLY NARRATIVE

During this quarter 83 subcontracts were signed for 108 workers. Of this number 40 were Green Thumb workers. Sixty-three of the placements were made in the six prime OJT states: Florida, Illinois, Indiana, Kansas, New Jersey and Pennsylvania.

The other 45 placements were made in Arkansas, Minnesota, Mississippi, Missouri, Montana, Ohio, Puerto Rico, South Dakota and Texas. During the quarter 43 older workers completed their training and were placed.

As the figures show, OJT placements have increased greatly over last quarter. All six prime OJT states now have full-time Assistant OJT Placement Specialists. Two of the six specialists are new employees; two were hired from within Green Thumb; and two have been working with OJT since the last contract. A seventh person was hired to work on the program in the national office.

GREEN THUMB YOUNG WORKER PROGRAM

The Green Thumb Young Worker program is a demonstration project that will employ young people from economically-disadvantaged families. They will be placed under the supervision of the older Green Thumb workers who will teach them good work habits and the value of work. The program will also give the young people work experience and skills that will help them find further employment.

The demonstration project was scheduled to begin in the two test states -- Oklahoma and South Dakota -- in October 1978. It will involve 150 young workers in each state.

The original schedule called for the hiring of young workers to begin by early December. However, it has taken longer than anticipated to lay the groundwork for the program, so no young workers will begin working until early January 1979. Juanita Goings, National Director of the Young Workers Program, expects that one quarter of the total enrollment will be on board by January 30, 1979.

The delays have centered on gaining approval of the survey techinques that will be used to test the change in the young workers' attitudes over the course of the program. No young workers could be brought on board until the survey questionnaire was ready to be used for pretests. The questionnaire was tested on students in Sioux Falls, South Dakota in early December and was completed during the month.

All the staff for the national and state units was hired during October, although only Ms. Goings went on salary before November. She set up the national Green Thumb Young Worker office in Sioux Falls.

The other staff personnel began work November 15 and attended a training session in Kansas City, Missouri November 21-22. The instruction covered recruiting methods, contracts and proposal provisions, evaluation methods, a review of the proposed attitude survey forms and ways of placing the workers in non-Green Thumb employment.

The staff in both states met with people at Job Service agencies, schools, and youth programs to begin developing avenues of recruiting workers. They also checked into the possibility of arranging educational credit for the students on the Green Thumb program. Also, they arranged for groups to be used as controls for checking the progress of the Green Thumb workers.

Bad weather in both Oklahoma and South Dakota limited necessary travel and slowed down our recruiting. Despite the weather, some young workers will join Green Thumb the first of the year, and we should have one quarter of the projected enrollment filled by the end of January.

Aside from the delays caused by the survey test, the Young Worker Program is progressing smoothly and as anticipated.

PLACEMENT DEMONSTRATION PROJECT

In light of the likely requirement next year that Green Thumb place 10 percent of its workers in non-Green Thumb employment, a demonstration placement project was designed by the National Unit Staff to test and develop placement techniques. A five county test site around Bedford, Pennsylvania was chosen for the project, which is scheduled to begin January 15.

This area in Pennsylvania was chosen due to its high unemployment rate and its proximity to Washington. There are currently 50 Green Thumb workers in those counties. Due to the high unemployment rate it is expected that placement in the test area should be more difficult than in most areas where Green Thumb operates. For this reason, it is felt that methods developed here to place workers could be useful anywhere.

Staff from the national office will take an active part in this project. They will work with the Pennsylvania staff to develop methods of placement and to examine and, where necessary, modify the techniques being used.

An integral part of the project is an intensive EXTREE effort in and around the test area. All media outlets as well as government and civic organizations will be contacted to initiate discussion of the value of senior workers and solicit co-operation of these groups and communicators in informing both the general public and prospective employers of the economic benefits of employing senior workers.

We feel a concerted effort in this area will not only produce placements, but should also lay the groundwork for developing a set of methods for placements that we will be able to transfer to our other state units.

STATEMENT OF AUSTIN E. KERBY, THE AMERICAN LEGION

Senator EAGLETON. We have two final witnesses. I'll ask them to come up here at this time. The American Legion, Mr. Lord, and Community Services Administration, Mr. Becks and Ms. Ross.

We have the National Association of Farm Workers, Mr. Allen.

Mr. KERBY. I think it's a privilege to be here this morning, and I appreciate your interest in these efforts. I will be as brief as I can.

I think first I might say we were completely with the Department of Labor in their employment programs. I want to discuss that later.

We also in the American Legion have our own employment programs. As an example, last year according to our employee reporting system, we had a little over 1,100 programs, that would be active employment programs, that placed a little over 41,000. So this of course was no cost for the Government whatsoever.

HIRING VETERANS, THE ELDERLY, AND THE HANDICAPPED

Now, I'm going to say we have worked for hiring veterans and old workers and the handicapped. We have those three programs, and I think much has been done in those programs to encourage employers to hire these individuals. I think I should go back in view of my testimony, go back a little bit about the employment services.

You may or may not know—I think you're pretty well aware of it—however, the employment service, veterans employment service came into existence in 1933. And at this time we had one LVER, veterans employment representative in each State. We had an assistant secretary with the staff. Then you had your program here in Washington with your national staff.

Then into the Public Law 92–540 the law was changed. We supported it and we went into more details as to what should be done. This of course said there should be a veterans employment representative, a State person in each State.

If it was less than one-quarter of a million—if it was over this for each quarter of a million, that would be one additional assistant veterans employment representative. They call them directors now.

However, at that time no additional staff was assigned to these people. They just had the one secretary in each State. In other words, a total of 52.

Now, I think I should go down a little bit into what we're talking about moneywise. I'm going to go down in the total system in the States. So in each of your 2,400 local employment offices, the law says there should be at least one veterans employment representative, which is paid through grants from the States for placement of veterans. Somewhere in the area of between 1,200 and 1,400 offices have full-time veterans employment representatives. Others have part time.

SERVICES TO VETERANS

So for this program, there in the Labor Department budget they set forth—they said it should be $80 million for services to veterans. Well, I don't know whether this is correct or not. There's no accountability yet. The Public Law 92–540 says there should be accountability for these funds. If the funds are not spent on veterans, the secretary has to sign off on it.

Last year I might say there was $25 million set aside for employment of veterans. Then it increased. A couple of years later it was $50 million; last year it was $70 million. This year they say it's $80 million. We have no accountability whether this is right or wrong. Maybe it's too much. I don't know.

However, 30 percent of all of the applicants in employment services are veterans. So now if the Department of Labor is getting a little less than $700 million for an employment service, which I believe is a total of $689 million, if they're giving that for the service, why it seemed to me that the veterans should get a third of that.

So if you figure it that way, it should be about a little over $200 million for the veterans. I can't say whether $50 million would be enough or whether it should be more. But I question that. In that area, I would also say we work with the employment security agencies of course and the gentleman testified awhile ago about the 30,000 ceiling.

Well, if the local LVER's come in that group too, I think it's worthwhile looking into that area.

DOL REQUEST FOR VETERANS EMPLOYMENT SERVICE

Coming to the big problem which is this little bit of money coming back to the secretary, we have, so the Labor Department says, we're going to cut instead of asking adequate money for the secretaries, they're asking for $6.125 million for the total veterans employment service, which would cut off 52 jobs.

We're concerned with that. These are women there, all women, by the way, and they are exceptional. In other words, they've been in the system a long time. They're a tremendous help to the LVER.

So then if they say, well, we're going to put the money in grants to the States, I don't feel that would work because you have got a Federal man supervising a State employee and so then too that problem, that 30,000 ceiling again becomes a problem.

So we feel that if we had the 52 positions, it would be roughly around about $7 million which would be actually all we're asking for an increase in that area is $785,000. I'm sorry. $875,000 plus this which I indicated awhile ago. No staff, where no secretaries were assigned to this and so pick up a few there, another $125,000. So level it off, about $9,825,000.

I think it would pretty well take care of it. So we are concerned with that. We work closely and our programs work closely with the State LVER's. And I think we need competent staff. I think you know what it is when you have to account to the secretaries. Most of these girls have been in these jobs for a number of years.

Then I heard by the grapevine they're going to let them go when they're getting ready to retire. Then they'll give the job over to the State. We don't feel it's going to work. Anything being done in that area would be greatly appreciated.

Quite a number of States, 19, as a matter of fact, are not in compliance with the replacement indicators preference. I might say Missouri is not in compliance in that area—19 of them listed there. I didn't list them in the testimony, but I can furnish those if you like.

DISABLED VETERANS OUTREACH PROGRAM

However, we are interested, of course, in the disabled veterans outreach program. Last year there were three-quarters of a million veterans placed. And then too, of course, we are interested in CETA, but veterans are getting very little jobs in CETA. The administration said the year before last they want to set aside 35 percent for the Veterans' Administration. And in some areas nothing like that, just very, very small where in some other States it's a little better.

On top of that, most of that are title two jobs. What we need for veterans is training slots, training jobs. If CETA was to pick up from the Manpower Government Training Act which was working well back in the earlier days—veterans participated in about 45 percent of those training slots.

And today they're getting very, very little. What the veterans need is a training job. Right now the Labor Department says it's got 305,000 Vietnam veterans unemployed, and that does not count those who have given up and maybe tried to get one through the newspaper or just given up totally.

HIRE PROGRAM

I think if you counted those, you'd have at least a half a million. Of course there are as many veterans of wars. We estimate around half a million that would like to get in the labor market, but are unable to obtain jobs. We are interested of course in the HIRE program. The HIRE I, was you know, was a total failure. Then HIRE II, they put $90 million in the program and at that time we suggested and tried encourage them to put it under the employment services instead of CETA. However, they put it under CETA.

Many of those have turned the fund back in and tried to reallocate it in other areas where it may be needful, and as you know, that program is for veterans only, Hire II.

So, the deadline for the funds, that is to having them pledged, was the 31st of this month. They have told me that they have extended it until June 30. So a program of this nature may be wise to continue. However, I will leave that to the committee. And it's a privilege to be here, sir.

I'll be happy to answer any questions. We certainly appreciate the concern of this committee in the past and this year too.

[The statement follows:]

STATEMENT OF AUSTIN E. KERBY

The American Legion has traditionally supported adequate funding of the Department of Labor in order that they may operate and carry out an effective job counseling, job placement and training program for veterans, and other necessary employment programs designed to enhance the economic capabilities of veterans.

It is therefore a pleasure to appear here today to express the views of The American Legion on the proposed budget of the Department for fiscal year 1980.

Current resolutions asking support and adequate funds for these programs and activities were adopted at our 1978 Annual National Convention; copies of pertinent resolutions mentioned in my statement are attached hereto. I would appreciate your making these resolutions a part of the hearing records.

Mr. Chairman, at this time, The American Legion is greatly concerned about a so-called budget cutting act of the Department of Labor that will seriously affect its ability to carry on these Congressionally mandated employment programs for veterans. The so-called "Leach Amendment" to the Civil Service Reform Act of 1978 (P.L. 95-454) restricts total Executive Branch employment to the total number of Federal employees as of September 30, 1977. However, because of unique circumstances within the Department of Labor the total staffing level of the Department between fiscal year 1979 and 1980 will remain the same -- about 22,000 Federal employees. The Department of Labor, nevertheless, has planned for a drastic twenty-three percent staff cut in the Veterans Employment Service (VES) -- the service specifically mandated to assist our Nation's jobless veterans. The Department proposes to cut the VES from a total staff of 223 positions in FY 1979 to 171 in fiscal 1980. This shocking and unfair cut primarily represents the fifty-two secretarial positions in the offices of the State Directors of Veterans Employment (SDVE). The SDVE is the mainstay of our system designed to help move the veterans from the ranks of the unemployed into jobs and job training. The work of the fifty-two capable VES field secretaries, all of whom are women, is essential to this difficult and challenging task.

The Department of Labor has requested $6.125 million for "Carrying into effect the provisions of 38 U.S.C. 2001 - 2003." In compliance with Resolution No. 279, adopted at our 1978 National Convention, The American Legion strenuously objects to this entirely inadequate budget for VES, and respectfully requests that the FY 1980 appropriations for the Veterans Employment Service be increased to $7 million -- $875,000 over the Department's request which will provide for the restoration of the fifty-two secretarial positions.

The Department of Labor, having already absorbed the position cuts necessitated by the "Leach Amendment," does not face any overall departmental reduction-in-force between years 1979 and 1980. Particularly in view of the strict mandates for high quality job placement and job training placement service for veterans, described in Chapters 41 and 42, Title 38, U. S. Code, the Veterans Employment Service likewise should suffer no reduction-in-force.

The Department rationale for the proposed fifty-two personnel "RIFs" is that the State employment service agencies can be additionally subsidized in order to provide State secretarial assistance to the Federal SDVEs; both poor management and poor financing. Federal employees cannot supervise State employees, whose natural loyalties are attached to the employing agency. The SDVEs, as part of their legal responsibility for functional supervision of service to veterans, sometimes must challenge the levels of veterans' services attained by the State agency, and urge greater out-puts in specific program areas. Sometimes confindential matters must be handled by the SDVE, which should not be shared by the Federal and state employees no matter how capable and sincere all parties may be. Often the SDVEs must be absent from their offices while evaluating the local public employment offices or for such other purposes as making presentations before veterans organizations, and meeting with other state and private officials on employment matters that affect veterans. Only by having a competent, experienced, and loyal secretary to independently handle much of the report preparation and correspondence in such circumstances, can SDVEs carry out their responsibilities properly.

Finally, there would be no real saving in fiscal year 1980 assuming that the monies formerly expended for the Federal SDVEs secretaries would be turned over to the States in the "Grants to States" portion of the Department's budget, in order to provide for an equivalent number of State secretaries. Such a sham would soon be preceived as such by the public, particularly our Nation's 30 million veterans and their families. In short, the fifty-two secretarial firings proposed by the Department of Labor will not work. Their assistance is too crucial to our national veteran's placement work. Through the combined Federal-state employment service system, well over three-fourths of a million individual veterans were placed in jobs during fiscal year 1978. These attainments on behalf of veterans are significant, and they represent an improvement over the immediate past.

However, there is still a big job ahead. As of the end of the calendar year 1978, nineteen states have not met the minimum levels of service to veterans, known as floor levels and preference levels, which are required by Federal law and regulation. The States which did not measure up to these standards include some with high veteran populations, such as Michigan, Ohio, and New York. Of the total veteran job seekers whose application cards were inactivated by the employment service during the year, some 35 percent of all veterans and 30 percent of the disabled veterans had received no recorded service. The unemployment rate for disabled veterans, Vietnam era veterans, especially minority veterans is "still far too high," according to the President when submitting his message on the progress of the Vietnam era veterans in early October. At that time the unemployment rate was 9.1 percent for the youngest group. However, in January the unemployment rate for this same group had risen to 13.8 percent, and much higher for disabled and minority veterans. We, therefore, contend that this is no time to cut the VES field staff, especially the support services of fifty-two experienced and competent secretaries. Such a move would seriously jeopardize the work of the State and Assistant State Directors of Veterans Employment.

The American Legion has made a survey through its departments as to how this proposed elimination of fifty-two field secretaries would affect services to veterans. We have received an overwhelming response that the SDVEs in the Federal system would not be able to function without the assured clerical assistance of qualified secretaries within the Federal personnel system. One state Commander said, "It would be next to impossible for the State Veterans Employment Representative to adequately perform his professional duties if the position of secretary in his office is abolished." In another state The American Legion official pointed out that the present secretary in the office of the SDVEs not only handles all correspondence and other office work for a director and assistant director located in that city, but also for an assistant director located in a city 375 miles away. He also believes that the state, with a secretarial shortage and a state freeze on hiring new employees, would be reluctant to provide secretarial services from its own resources under any arrangement. This highlights the fact that the ASDVEs have not been provided the secretarial assistance they need to perform their duties which are substantially the same as those for the SDVE.

According to the new Veterans Employment Service Operations Manual, "A major key to the success of the operation of the SDVEs office is the efficient functioning of the secretary." These important positions must not be abolished, and The American Legion urgently request this subcommittee to increase the appropriation for the Veterans Employment Service from $6.125 million to $7 million, an amount we feel essential to carry out an effective employment program for veterans. Furthermore, we recommend that other funds be provided as required, over and above the $7 million, for other secretarial assistance for the ASDVEs.

Another sensitive and important area of financing employment services, including those to veterans, is in the area of grants from the Department of Labor to the States for employment security purposes, and in which funds for veterans are not earmarked or accountable.

In the Department's budget request it is estimated that not less than $80 million will be available for services to veterans by the State employment offices, but, contrary to the intent of Section 2006(d) of Public Law 92-540, this estimate is based only on the anticipated veterans' work load for FY 1980 as a percentage of total employment service work load and costs. While we urge adequate funding for State employment security agencies for employment to veterans, they should include accountability for state funding as required by this Section 2006. Such accountability should include a requirement that the salaries and related personnel cost of all State employment service staff who work full time on behalf of veterans (such as full time local Veteran Employment Representatives (LVERs), mandatory listing coordinators, and assistant local VERs) shall appear as separately identified items in the State employment service annual budget which must be approved by the Department of Labor. State employment services should be required to separately identify in the State employment service budgets all monies to be used for LVER training, and a thorough description of how it is to be used, such as for Statewide LVER training, workshops, etc.

The State employment service time reporting system should also separately identify the total local office staff time in performing services to veterans, to include as separate items (a) functional supervision and the other duties performed solely by the LVER, as described in Sections 2003 and 2004, title 38, U.S. Code; (b) counseling services; (c) job training referral and placement; (d) duties pursuant to the mandatory listing requirements of Section 2012, title 38; and (e) referral of veterans to CETA programs.

There is an unfortunate tendency in some States, reinforced by the reluctance of the Department of Labor to establish regulations and to insist on the placement of LVERs in those offices which, by law, require them, to regard LVERs as expendable, to be reassigned to any office emergency; for LVER vacancies to be left unfilled; and, often, for LVER grades to be kept low and the jobs dead-end.

Disturbed by statistics showing lack of employment services to veterans as mandated by law, The American Legion by Resolution No. 430 adopted at our 1978 National Convention seeks funds and asks for accountability of funds used by State Employment Security agencies and local offices in serving veterans.

The Department of Labor is recommending funding for 30,000 jobs in the State employment services, a ceiling in effect since 1966. We believe, however, since the labor force has increased more than 25 percent since 1966, and the employment services have increasingly been given responsibility for special emphasis programs, such as for migrants, youth, and disadvantaged, as well as the legislatively mandated programs for veterans, this 30,000 job figure is entirely inadequate. It is also at the level of the local employment office that complaints under the affirmative action legislation for veterans are initiated. The American Legion recommends a realistic increase in this 30,000 job ceiling which includes the LVERs. We are hopeful that this Subcommittee will consider appropriating adequate funds over and above the Department's budget request for the necessary State employment service personnel, at least for a phase-in of additional staff years over the next few years.

Part of the services provided in the State employment offices are specialized counseling and other necessary services to the handicapped and others, such as the older workers who find placement difficulty because of society's attitude toward the older worker, outmoded work skills and physical handicaps. The American Legion has long had special award programs to encourage employers to hire such persons, especially veterans, including our "Employ the Handicapped Week" and "Employ the Older Worker Week." Despite efforts thus far, the record of the public employment service in these areas is not good. Therefore, we respectfully request that adequate funds be provided to Federal and State agencies in order to increase and intensify employment services to disabled veterans and older veterans. Resolution No. 168 of our 1978 National Convention seeks such funds. We would appreciate it if the Subcommittee report would include a comment on this needed service to disabled veterans and older workers.

Finally, it must be remembered that the Administration's three-point program to promote employment of veterans which included a hoped for participation rate in CETA programs of 35 percent for veterans, the Disabled Veterans Out-Reach Program (DVOP) under which disabled veterans were hired to bring other disabled veterans into the job market; and the HIRE I and HIRE II programs to promote the hiring of veterans under job training programs of private employers, will soon stop. An exception to this is the DVOP which, although it has met with varying success in different areas, The American Legion would like to have integrated into the regular program of the State employment security agencies with sufficient funding for this purpose. Veterans participation in CETA programs has never reached the 35 percent participation rate planned for, and HIRE I was such a failure that the Department of Labor came up with HIRE II, exclusively for veterans, in a futile effort to improve the program. The curtailment of these special programs, however much they fell short of meeting their goals, will again place the responsibility upon the veteran's employment service and their representatives in each state, the District of Columbia and Puerto Rico for promoting the employment of veterans and monitoring each state the many Federal laws and regulations related to the employment of veterans.

I should like to refer briefly to the present situation of HIRE II, for which all funds must have been obligated by March 31, 1979. We believe that this program as it was set up, with the authority and funds going to the prime sponsors, has never come near the potential of the idea or the funds available. It has been the position of The American Legion that this HIRE II should have been centered in the public employment offices, where the local veterans employment representatives, familiar with the local employment and veterans situation, would have been able to initiate and coordinate training plans that would have resulted in the effective placement of far more veterans than has been possible under HIRE II in its present form. Many of the prime sponsors who did accept funds for this purpose have returned the money and efforts are being made to find other sponsors able to set up programs for veterans under HIRE II. However, the previous record of this program and the shortness of time seem to be an insuperable obstacle. We hope this subcommittee will give consideration to continuing HIRE II, but under revised guidelines operating through the public employment offices.

Thank you for this opportunity to express the views of The American Legion on this important subject of services to veterans. We urge you to act favorably upon our request for adequate funds in the fiscal year 1980 budget request of the United States Department of Labor for those programs in that Department which are intended to place veterans in gainful employment so that they may participate in a normal life in society after service to their country. We particularly ask that adequate funds be provided, and earmarked, for the fifty-two positions of secretaries in the field staff of the Veterans Employment Service.

SIXTIETH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
AUGUST 22-24, 1978
NEW ORLEANS, LOUISIANA

RESOLUTION NO.: 279

COMMITTEE : ECONOMIC

SUBJECT : SUPPORT SUFFICIENT FUNDS AND ACCOUNTABILITY THEREOF FOR THE EMPLOYMENT SERVICES TO VETERANS

WHEREAS, It has been The American Legion's long established policy to promote a maximum employment program for all veterans; and

WHEREAS, The Servicemen's Readjustment Act of 1944 provided for the establishment of facilities for effective counseling and placement services for all veterans; and

WHEREAS, The Vietnam Era Veterans Readjustment Acts of 1972 and 1974 updated these benefits, with special emphasis directed toward disabled veterans and veterans of the Vietnam era, surviving widows of veterans who died of service-connected disabilities, the spouse of any person who has a total disability, permanent in nature, resulting from a service-connected disability, or the spouse of a veteran who died while a disability so evaluated was in existence; and

WHEREAS, The United States Department of Labor has the legal responsibility to establish policies for carrying out the above provisions embodied in Chapters 41 and 42 of Title 38, United States Code; and

WHEREAS, The Veterans Employment Representatives in the states and the State employment agencies have been mandated to carry out the policies as provided in said chapters of Title 38, United States Code; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in New Orleans, Louisiana, August 22,23, 24, 1978, that The American Legion support an effective Veterans Employment Service and the State employment services for all veterans, and urge Congress to appropriate sufficient funds to adequately do the job so necessary to the security and welfare of all veterans; and that the Department of Labor and State employment security agencies take necessary steps to insure that the expenditure of funds so appropriated reflects accurately those amounts used by State employment security agencies and local offices to serve veterans employment and training needs.

SIXTIETH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
AUGUST 22-24, 1978
NEW ORLEANS, LOUISIANA

RESOLUTION NO.: 430

COMMITTEE : ECONOMIC

SUBJECT : REQUEST DEPARTMENT OF LABOR TO DIRECT STATES TO ESTABLISH ANNUAL PLAN OF SERVICE FOR EMPLOYMENT SERVICES TO VETERANS

WHEREAS, The United States Department of Labor has only minimally implemented numerous longstanding legal and regulatory requirements which were designed to provide veterans the maximum of employment and training opportunities; and

WHEREAS, Section 2007(a)(2) of P.L. 92-540 required the Secretary of Labor to determine whether the State employment security agencies have committed the necessary staff to insure the mandated services to veterans and "to arrange for necessary corrective action where staff resources have been determined by the Secretary of Labor to be inadequate," but there is no methodical, ongoing, effective system for either determining such staff shortfalls or taking corrective action; and

WHEREAS, Section 2006(a), P.L. 92-540, requires that each annual State employment service budget must estimate funds for certain services to veterans and Section 2006(d), in effect, requires the Department of Labor to establish fiscal controls which are sufficient to insure that the State employment service expends such funds for no other purpose except with the "approval of the Secretary of Labor based on a demonstrated lack of need," but the Department has not established such fiscal controls; and

WHEREAS, Section 2007(a)(1) of P.L. 92-540 requires that each veteran who requests public employment service assistance (emphasis added) shall "promptly be placed in a satisfactory job or job training opportunity or receive some other specific form of assistance designed to enhance his employment prospects substantially," but the Department of Labor's woefully weak implementing regulations allow, for example, some state employment service agencies to place in jobs as few as nine percent of the veteran applicants, and to assist in some measurable way (according to the employment service reporting system) as few as 24 percent of the veteran applicants; and

WHEREAS, Section 2004, P. L. 92-540 and its implementing regulation (20 CFR 653.224) require full-time local veterans employment representatives in public employment offices with specified veteran workloads and many violations of this provision are believed to exist, but little remedial action by the Department of Labor is apparent; and

WHEREAS, Sections 2003 and 2004 of P.L. 92-540, as well as Sections 653.224(d) and (e), Title 20, Code of Federal Regulations, thoroughly describe the special mandated duties of the local veterans employment representative, including the primary duty of functional supervision of overall local office services to veterans, but few, if any, directives or training material have been issued by the Department of Labor concerning proper application of these important provisions;

WHEREAS, Section 653.221(c), Title 20, Code of Federal Regulations, requires the public employment offices to review all veterans applications each 30 calendar days for the purpose of contacting unassisted veterans and providing assistance,and Section 653.221(e) provides for local office referral of veterans to jobs within two working days after they file their applications, but the Department of Labor has not informed the State employment service agencies concerning these provisions, in a meaningful way; and

WHEREAS, Some slight improvement in employment services to veterans during the past two years in no way indicates attainment of the outstanding quality of veterans employment assistance clearly intended by law, as illustrated by the fact that 72 percent of the veteran applicants were not placed in jobs by the State employment service in fiscal year 1977, and well over half the veteran applicants received no job assistance which was recordable through the employment service's reporting system; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in New Orleans, Lousiana, August 22, 23, 24, 1978, that The American Legion urge the Department of Labor to launch a vigorous corrective action program for veterans which will include the following provisions: an administrative requirement for a separate, comprehensive veterans employment and training placement plan, within the annual State employment service Plan of Service, which shall thoroughly describe how each veteran's legal mandate shall be implemented, and also shall itemize all appropriate costs, including the salary of each State employment service employee whose work time is fully committed to veterans; and a new system of comprehensive fiscal controls, as required by Section 2006, Title 38, United States Code, to assure that all Department of Labor funds granted to the State employment service agencies shall be used for no other purpose; and be it further

RESOLVED, That The American Legion urge the U. S. Department of Labor and the Congress to consider the need for a separately identified, staffed, and Federally funded State Veterans Employment Service (SVES), as an integral component of the State employment service agency, which would include the following features: a small SVES supervisory staff at the State employment service administrative office; full-time local veterans employment representatives (VERs) and assistant VERs in the larger employment service offices, as well as veterans employment specialists, veterans counselors, veterans job developers, and veterans outreach specialists to be allocated among the local offices according to veteran workload; and incentive for the full-time veterans positions to be classified within the State merit system at entry, journeyman, and supervisory levels in order to encourage recruitment and retention of well qualified individuals, preferably veterans.

SIXTIETH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
AUGUST 22-24, 1978
NEW ORLEANS, LOUISIANA

RESOLUTION NO.: 168

COMMITTEE : ECONOMIC

SUBJECT : SEEKS ADEQUATE FUNDS FOR SERVICES TO DISABLED AND OTHER VETERANS

WHEREAS, The American Legion has looked with compassion on the specialized needs of the disabled and the older veteran; and

WHEREAS, Seriously disabled Vietnam veterans in increasing numbers are seeking gainful employment; and

WHEREAS, The advancing age of World War II and Korean veterans and the incidence of disability creates serious employment problems for these veterans; and

WHEREAS, The responsibility for providing specialized services to meet the unemployment problems of older veterans and disabled veterans has been given to the U.S. Department of Labor through the U.S. Employment and Training Administration, the Veterans Employment Service, and the various State employment services; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in New Orleans, Louisiana, August 22, 23, 24, 1978, that The American Legion urge the Department of Labor, the U.S. Employment and Training Administration, the Veterans Employment Service, and the various State employment services to increase and intensify services to disabled veterans and older veterans; and be it further

RESOLVED, That The American Legion inform Congress of the specialized employment needs of these veterans and request provision for adequare funds so that the designated Federal and State agencies can fully comply with their responsibilities to serve disabled veterans and older veterans.

SIXTIETH ANNUAL NATIONAL CONVENTION
OF THE AMERICAN LEGION
AUGUST 22-24, 1978
NEW ORLEANS, LOUISIANA

RESOLUTION NO.: 235

COMMITTEE : ECONOMIC

SUBJECT : SUPPORTS CONTINUATION OF THE DISABLED VETERANS OUTREACH PROGRAM

WHEREAS, Under the President's three-point employment program for veterans, Congress has appropriated funds to finance a Disabled Veterans Outreach Program (DVOP), in which some 2,000 disabled veterans have been hired by the State employment offices throughout the Nation to do outreach, placement, training, and counseling of disabled veterans, with the intent that 40,000 more disabled veterans will be brought into the labor force through their outreach efforts; and

WHEREAS, In spite of reports of instances of diversion of DVOP staff to unrelated programs, and of restrictions in some offices of DVOP interviewing of prospective job candidates, it is understood that, for the most part, reasonable success is being achieved; and

WHEREAS, The Department of Labor plans to cut DVOP staff through attrition of 500 per year until the program terminates; and

WHEREAS, The proposed expiration of DVOP is regrettable, particularly when many older veterans of World War II and the Korean conflict with service-connected disabilities find their disabilities more handicapping in a tight employment market, and young disabled Vietnam veterans continually need employment assistance; now therefore be it

RESOLVED, By The American Legion in National Convention assembled in New Orleans, Louisiana, August 22, 23, 24, 1978, that The American Legion urge that the Disabled Veterans Outreach Program (DVOP) of the Department of Labor be integrated into the regular program of the State employment security agencies and that the Department of Labor plan to continue making funds available for this purpose.

STATEMENT OF EDWARD R. BECKS, NATIONAL COMMUNITY ACTION AGENCY

ACCOMPANIED BY JUNE ROSS

Senator EAGLETON. Thank you, Mr. Lord, for a good capsule summary. Some of the work you think would work better, and you mentioned some that hadn't worked so well. So you focused our attention very properly on the entire range of veterans programs. We thank you.

Mr. Becks and Ms. Ross.

Mr. BECKS. Mr. Chairman, members of the subcommittee, my name is Edward Becks. I come here today from Redwood City, Calif., as an executive director of a private community action agency. But I also come to speak to you on behalf of 881 community action agencies nationwide, and I would like to indicate to you that we have similar problems and discuss some of those problems with you.

I understand that the time is short and that you are interested in bottom lines. So I'll try to get to the bottom line as swiftly as is feasible. Mrs. Ross is with me also and she is the treasurer of the national association, and we will split our time.

Mrs. Ross will handle four of the issues, and I will handle four of the issues. I'll get to our main concern. I understand that we're facing tight money and that the national tendency is toward cutting back programs. Also that with the proposition 13 craze, there's a tendency for there not to be matching funds for community action agencies at the local level.

So the agencies end up being in a particular bind when the economy is not in good shape. And there's great need at this time for poor and low-income people to be able to be self-sufficient, the kind of thing that our program can do best. And we are facing the possibility of being seriously cut back at a time when this kind of effort is needed most of all.

LOCAL INITIATIVE

I think first of all I would like to address the local initiative. We certainly would like to consider an increase in local initiatives. I've been working for community action agencies for 15 years, and I can remember two increases in that 15 years and one in the last 8 years.

So we end up operating programs from CETA, from cities, from other departments of government without sufficient administrative and planning funds to best use these funds. In many cases I can certainly attest that funds that can be funded to the community through community action agencies go begging because the community action agencies don't have the capacity to deal with these programs.

This is why we are requesting the increase in local initiative funds. That's imperative to make the agencies effective. The agencies are continuing to lose staff because they cannot get raises and one way to resolve this is people leave and to begin to be less and less capable of doing the job.

COMMUNITY FOOD AND NUTRITION

Also we are concerned with the community food and nutrition. Now, it's one of the programs that probably tie in more closely with the local initiatives because it is designed primarily to deal with those opportunities to provide income to low-income people and providing programs for self-sufficiency by providing clubs and other kinds of things where people in a community who will not get new jobs, who will not be on welfare, will have some means for developing self-sufficiency.

This includes other kinds of projects such as gardening and that kind of basic self-sufficiency programs in the community.

And as you know, we are faced with cutbacks in housing. We're faced with changes that are going to occur in the community because of a shortage of energy and many poor and low-income people will be forced to alter their lifestyles in housing and in transportation and also in work habits because of what will occur in the next few years, and yet community action agencies are strategically placed to help employment programs and processes for such people to become self-sufficient.

The administration, of course, is recommending $8 million for community food and nutrition, and with this kind of budget, it will effectively destroy 217 local grantees and will eliminate program services to over 2 million people.

OVERALL CSA BUDGET

So, we certainly would like to see those programs held intact and hope that you consider the fact that the overall CSA budget for 1980 is about $185 million less than the appropriations for 1979.

You might also, you know, observe the fact that 1978 appropriations were $240 million above this current request, and the President has recommended many changes internal to this budget. And we understand that many of these changes will occur. But it would be very difficult for the community action agencies to continue to provide quality programs.

We are requesting the $405 million as a bottom line. We really need $425 million.

We also think that we need to continue our focus on youth programs and certainly we need to have more emphasis on the Indian programs for the community action agencies.

I would like to thank you, and I would like to end my testimony because I understand that you are short on time.

Mrs. Ross will pick up on those issues I did not cover.

Senator EAGLETON. Thank you, Mr. Beck.

[The statement follows:]

STATEMENT OF EDWARD R. BECKS

My name is Edward Becks. I come here today as the Executive Director of the Economic Opportunity Commission of San Mateo County, Inc. in Redwood City, California, and as the President of the National Community Action Agency Executive Directors Association. The thoughts that I share with you reflect not only my own local experiences, but also, more generally, the needs of the 881 Community Action Agencies nationwide. I wish to thank you for this opportunity to discuss the FY 1980 Community Services Administration budget.

It is not an easy task to testify before you today, and I suspect it is not any easier to chair these hearings. On one side is the strong sentiment to "cut, cut, cut" to bring Federal spending back in line, and to balance the budget. On the other side is almost every interest group saying they need more money, not less -- more federal participation, not less -- more Congressional interest, not less. Clearly, these are difficult and contradictory times.

As the Executive Director of a public CAA in California that continues to feel the impact of Proposition 13, but still has an overwhelming mandate to serve the poor, I suggest that selecting budget priorities will not be easy, but in terms of the CSA FY 1980 budget, good sense and necessity may make the choices more palatable.

I will not give you a laundry list of appropriation increases that CSA must have. Instead, June Ross, the Treasurer of our association, and I would like to identify four (4) areas that need either funds restored from the cuts proposed by the President or a modest cost of living increase.

	FY 1979	Carter Proposed FY 1980	NCAAEDA FY 1980 Request
Local Initiative	369 m.	381m.	425 m.

Our request for an increase in Local Initiative is compounded by the fact that CSA FY 1979 Appropriations were part of the Continuing Resolution passed by Congress in October of 1978.

The Administration's FY 1980 request is the same amount they asked Congress to fund for FY 1979. As you know, Local Initiative money is used this way:

1. It helps maintain and strengthen the administrative systems in community action agencies. CAAs, whose average administrative cost nationwise is less than 8%, provide support for a variety of anti-poverty programs. Among them are Headstart, housing programs, Senior Opportunities and Services, efforts authorized by CETA, energy programs, nutrition and youth programs, and outreach and referrals.
2. It helps promote self-determination and community participation for low-income persons in decisions that affect their lives.
3. It helps seek out locally developed, innovative approaches that respond to the needs of the poor, and serve as National models.
4. It helps leverage additional Federal, State, Local and Private section resources to meet the problems of poverty.
5. It is used to establish a minimum funding level for all CAAs.

A Local Initiative increase to $425 million would allow for a minimal cost of living increase for CAA employees, the expansion of coverage by community action agencies to 400 needy counties not currently being served by CAAs, and allow for an annual expenditure rate of only $15 per poor person! Given the immense value that a small increase would have in this program, I hope the Congress will look favorably on this request.

The other item I would like to discuss before Ms. Ross testifies is the need to restore the Community Food and Nutrition budget:

	FY 1979	Carter Proposed FY 1980	NCAAEDA FY'80 Request
Comm. Food & Nutrition	30 m.	8 m.	32 m.

The CF&N Program operated by CSA is the catalyst in bringing about a better focus of all available local, state, federal, and private resources on the problems of hunger and malnutrition among the poor. The CSA Program is used to:

1. Improve the opportunities for low-income people to gain access to, and participate in other programs.
2. Improve the ability of low-income individuals to produce and purchase foodstuffs in a manner that fosters self-sufficiency.
3. Improve the ability of low-income individuals and families to understand the connection between diet and health, to obtain at the lowest prices nutritionally superior foods, and to prepare and preserve these foods in ways that minimize the loss of nutrients.
4. Improve the community crisis relief mechanisms for relieving hunger among the needy households during disasters and other widespread emergencies.

The Administration's request of $8 million will effectively discontinue funding of 217 local grantees who serve approximately 2 million individuals. The Administration's request will severely limit the local capacity of communities, CAAs and poor people to participate in existing Federal food programs. It will also significantly reduce CSA's capability to provide assistance to self-help projects, crisis relief activities, and nutrition/consumer education activities.

This program desperately needs its funding restored. Thank you for your time and interest.

Statement of June Ross

Senator EAGLETON. Ms. Ross.

Ms. ROSS. Thank you, Mr. Senator, and members of the committee.

My name is June Ross. As indicated earlier, I am the treasurer of the National Community Action Agencies Executive Directors Association. My full-time job is executive director of the Galveston County Community Action Council in Galveston, Tex.

I served on several State committees and several commissions that are concerned with problems as we deal with them in the community action world.

I will just say briefly that I could go on for hours about what we accomplish. I don't think you have the time to hear all the wonderful things we do. I am really sold on it, so don't get me started on it.

CRISIS INTERVENTION PROGRAM

I will tell you two things I am really concerned about here today, and that's the cut that is planned by the administration and the crisis intervention program. Reducing that from $200 million to $160 million is going to cause some terrific hardships.

Senator EAGLETON. You're going to tell me some good things about community action? I am the one that got the crisis intervention. The crisis intervention program was a sort of a band-aid stopgap, hastily con-cocted program to respond to an emergency. And this is the third year of the program.

What we really need is a national program, and this would be a golden opportunity for the State public utility commissions. You know, every State has got a public regulatory utility commission. This is a golden opportunity for their leadership to come forth at the State level. I haven't heard it come forth yet. But we all hear these speeches. You hear a lot of them. "Government closer to the people. People at the local level know more about the Federal Government. Get the Government out of our lives."

I am going to go on with some of that. I think the Federal Government maybe intrudes in many things. In thinking about it, I would love to see these utility commissions really take the leadership in this, because next winter it's going to be cold. I know this one was bad in the Midwest, especially—I don't know about Texas—we had the coldest January and February in the history of Missouri, in the recorded history of the State.

It may not be as cold next year; but if it's going to get colder, some people are going to need some help on their utility bills. I don't know what in the world we're going to be able to do.

This is an area where the States ought to say, "By God, there's a problem, and we're going to begin to cope with it."

Ms. ROSS. Texas is trying to take action on that in taking funds from some of our oil products and all that and turning that back on through the Human Resources Department and give the senior citizens a sort of a bonus offer on their utility bills. Working with the utility companies, I would like to point out, it has been the action of the community action agencies in the country in sensitizing the utility commissions to the needs of senior citizens and families for protection from the utility companies. And that's not a bad thing to say.

One of the problems that is mentioned in my statement is that we didn't obligate all the funds that were given to us, and you stated it very well: This program is so brandnew, when it started, that we had to enlist—in my area alone, I had to contact 28 utility companies to tell them that this is really true and you're going to get your money and go and give these people their services. It was just that very brandnew.

We did get some action, I think, all over. There is a groundswell, because people have never been so aware of how utility bills are cutting into their budget. When you're in a fixed income, somebody is making $125 to $130 and a utility bill or heat bill is $97—that's in Texas, and we're supposed to be hot down there, but we're not hot all the time. It's been a bad winter for us, also.

I am very pleased. I certainly should take this back, Senator, that you know as much about crisis intervention almost as much as I do. That's saying a lot because we had to fight the whole thing.

We have some money now. It's still bringing up the same problems. I urge that any assistance that you can give us in restoring that and not sustaining that cut to the $40 million is appreciated.

SUMMER YOUTH RECREATION

My second concern is the summer youth recreation. You have a prepared sheet here which goes into some very profound points. Basically, what we're talking about is we have still got to have some prepared recreation for these youngsters in these summer months. We can talk about motivation, initiative, and all that that you want to. What it amounts to is occupying those youngsters 8 hours a day, under supervision, and at the same time giving them knowledge and information about their community, that community action agencies can do. And the programs are operated through us.

These are some very dire needs. I can personally speak to them and so can all of CAC. I can tell you again all of the things we are doing. I would appreciate very much any assistance you and the members of this committee would help us with in sustaining that reduction and also keeping the summer youth program going.

I thank you very, very much for this.

Senator EAGLETON. Well, you put two in a row. The summer youth, we've had an 8-week teachers strike in St. Louis which just was resolved. So, the school year's going to be extended 8 weeks further into the summer. And that's going to knock a lot of kids out of the summer employment, which was necessary for them. And I don't know how we're going to resolve it. It's going to be a real situation because school in St. Louis is going to go from June well into July to make up those 8 weeks, and those youngsters rely, many of them rely, on those summer jobs. They are indispensably vital to their families.

They're going to be knocked out of the opportunity at first blush, which is a doubly crippling blow.

SCHOOL LUNCH PROGRAM

Ms. Ross. It is. There are also peripheral advantages because we also work in coordination with Human Resources and the Department of Agriculture in providing food. They eat lunch at school. What are they supposed to do? Starve all summer?

So, we have the school lunch program from the Department of Agriculture. That does help that child. This is something that's got to go forward in these communities. It started out trying to keep the "long, hot summers" cool and the summers are still hot and the problems are still hot. We've got to occupy these youngsters.

Senator Eagleton. I agree with you.

Thank you very much.

[The statement follows:]

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STATEMENT OF JUNE P. ROSS

My name is June Ross. As was indicated earlier, I am the Treasurer of the National Community Action Agency Executive Directors Association, and I am the Executive Director of the Galveston County Community Action Council in Galveston, Texas. I have served on the State T/TA Committee for Early Childhood. I have been a member of the Governor's Advisory Committee on Aging; a member of the Manpower Advisory Committee; and a member of the Advisory Council of the Texas Consumers' League.

I would like to make a few general comments. Community Action Agencies nationwide are doing an excellent job in providing services for America's hidden society -- the poor. No other agency that delivers human services has done more to improve the existence of the poor than Community Action Agencies. Fifty percent (50%) of all CAAs are located in rural areas. The average salary per community action agency employee remains under $8,000 per year. The diverse list of CAA characteristics could go on and on. It is indeed a privilege to represent such a diverse and successful group as the 881 Community Action Agencies.

I have some concerns about the proposed Administration budget for CSA. My first area of concern is over the $160 million shortfall that is bound to occur in the Crisis Intervention Program. For the last three years, Congress has funded this program at a level of $200 million. The President proposes only $40 million. This program is used to provide funds for fuel, blankets, temporary heaters, "and other such assistance" to individuals and families experiencing a personal crisis due to energy-related problems.

Although the Administration points to the fact that not all of the $200 million has been spent in any previous year, I want to state emphatically that the need exists for much, much more than $200 million. The problems of the poor in coping with the ever-rising costs of energy will be with us for quite some time. I have seen low-income families of five, six or seven people spend 30% to 40% of their total disposable income on energy related needs. The national average is about 10%.

I realize that when this program was first adopted by Congress, various members fought to make it a one-shot program. However, the energy problems of the poor have become more critical every year. They do not go away when Congress adjourns. While I am very disturbed over the low level of funding the President recommends for this program, it is significant to note that the Administration proposes funding Crisis Intervention on the regular cycle of appropriations, and not through a supplemental. Until Congress can pass a more comprehensive program to help the poor meet their pressing energy needs, this program deserves the full $200 million funding level.

The last, but certainly not the least, of the concerns that I will mention today is the $0 requested by the Administration for Summer Youth Recreation.

	FY 1979	Carter Proposed FY 1980	NCAAEDA FY'80 Request
Summer Youth Recreation	17m.	0	17m.

The basic strengths of this program are:

1. To improve the quality of recreational services to poor youths through basic fundamentals of sports skills, and through educational tours, arts and crafts, cultural field trips, etc.
2. To develop innovative approaches to recreation as a means of improving education and employment opportunities.

3. To disseminate information and provide technical assistance to grantees on coordinating all local resources to provide a greater range of services to poor youths.

4. To expand services to participating youths that will provide preventive health services in the form of free physical examinations.

This is a very successful program. With the proposed eligibility for the Summer Youth Employment program to change from a minimum of 14 years to a minimum of 15 years of age, the CSA Summer Youth Recreation program becomes all the more necessary. The Summer Youth Recreation program operated by CSA will still allow 14 year olds to participate. This program could be the only program 14 year olds are able to participate in nationwide. At the impressionable age of 14, it s important that our youths have the opportunity to engage in constructive activities. This is one program that helps curb juvenile deliquency and offer the low-income youths of this nation an opportunity for an enjoyable and productive summer. Therefore, we urge the restoration of $17 million for this program.

Community Services Administration Budget (in millions)

	FY 1979 (Actual)	CSA Proposed FY 1980	President's Proposed FY 1980	NCAAEDA's Proposed FY 1980 Budget
Local Initiative	369.0	425.7	381.0	425.0
Econ. Development	47.670	46.5	44.5	46.17
Senior Oppor. Serv.	10.5	10.5	10.5	21.0
SEOOS	12.0	7.5	7.5	12.0
CFN	30.0	22.0	8.0	32.0
Energy & Weatherization	65.0*	10.0	0	200.0
Migrants	1.0	5.0	1.0	5.0
Program Adminstration	31.683	36.7	33.5	33.2
Research & Demonstration	0	29.6	15.0	15.0
Rural Housing	6.0	10.0	0	0
Rural Development	0	5.0	0	0
Summer Youth Recreation	17.0	17.0	0	17.0
Youth Sports	6.0	0	0	0
Evaluation	1.0	5.4	2.0	5.4
Training & Tech. Asst.	1.0	6.2	2.0	6.2
Consumer Action & Coop.	0	1.0	0	0
Credit Unions	0	0	12.0	12.0
Crisis Intervention	200.0**	0	40.0	200.0
TOTALS:	797.853	638.1	557.5	$1,029.97

* Technically available through the appropriations continuing resolution (NCAAEDA is contesting OMBs refusal to release funds)

** OMB has made $200 million available for Crisis Intervention during FY 1979

STATEMENT OF JAMES ALLEN, ADVOCACY DIRECTOR, NATIONAL ASSOCIATION OF FARMWORKER ORGANIZATIONS

ACCOMPANIED BY NINA RUIZ-DIAZ

Senator EAGLETON. Final witness is Mr. Allen, National Association of Farmworker Organizations.

Mr. ALLEN. Thank you, Mr. Chairman.

I am James Allen, advocacy director of the National Association of Farmworker Organizations, which represents community-based farmworker-governed organizations throughout the country. This is a national coalition dedicated to the protection of civil and labor rights and the development of activities and programs for the benefit of migrant and seasonal farmworkers. With me is Ms. Diaz.

In deference to time, I would like to have our testimony submitted for the record, and I will summarize parts of it and highlight parts of it.

[The statement follows:]

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STATEMENT OF JAMES ALLEN

I am James Allen, Advocacy Director of the National Association of Farmworker Organizations (NAFO) which represents community-based, farmworker-governed organizations throughout the country. This is a national coalition dedicated to the protection of civil and labor rights, and the development of activities and programs for the benefit of migrant and seasonal workers.

First, before presenting what we feel is a fair and adequate budget rationale for farmworker programs at CSA, let me briefly offer an analysis of the concept of services to farmworker from the two major agencies given the responsibility—the Department of Labor and the Community Services Agency.

From their inception, the Economic Opportunity Act (EOA) and the Comprehensive Employment and Training Act (CETA) have represented two different philosophical approaches to serving the needs of the poor. CETA proposed to deal with the problem by concentrating resources on employment—"to provide job training and employment for economically disadvantaged, unemployed and underemployed persons." The premise being that unemployment or underemployment was the main cause of poverty. This narrow approach necessarily led to restrictive enforcement regulations that permit Federal funds to be used for only those activities clearly connected to greater emphasis on job training and employment.

The regulations allow for supportive services but their provision is only incidental to job training and employment. The standards for reviewing funding proposals for farmworkers programs give out of a possible 100 points only 10 for "farmworker experience," while up to 40 may be earned for employment and training. This weighs the scale in favor of proposals based on traditional employment and training experience and makes it impossible to provide comprehensive supportive services.

On the other hand, CSA emphasis for program funding has been toward those projects of a comprehensive, developmental nature whose primary goal was to facilitate greater economic, political, and social viability for those people receiving the service. Further, OEO encouraged the development of coordinated programs which could successfully draw on all Federal resources for money. This liaison function has also been inhibited by the performance standards under CETA.

The difference in CSA's orientations and therefore their goals has meant the creation of programs under CSA which would never be permitted under CETA. The CETA statute sees the needs of farmworkers being satisfied by employment and training. Thus, services not related to employment and training needs, such as legal aid, consumer training, housing, health, economic development, nutrition assistance, and transportation aren't authorized under CETA. CSA is however, authorized to provide funding for these services which go beyond employment and training needs. Some specific examples of programs developed out of CSA are a State cooperative formed by farmworker organizations (N. W. Chicano Concilio) in Idaho, Oregon, and Washington which is involved inland development. The National Farmworker Hotline, the National Health Plan, the Women's Equity Fund, Farmworker Credit Union, are also examples of innovative development programs which are performed under a CSA grant and would not be funded under CETA.

The services provided by CETA and those by CSA are in their focus, intent, and operation very different. For example, child development services can be provided under both CSA and CETA. However CSA will do career training for the board and staff, certification, and provide the necessary support and development services to create a long-term project which can, in time, become self-sufficient. CETA, on the other hand, will only provide the money to supply the immediate services for individual clients insofar as they are necessary to their employment and job training.

The employment and training provided by CETA are important services. However, the supportive and developmental services which are authorized only under CSA are directed at the basic structures of poverty areas such as farmworker communities. Thus CETA does not duplicate CSA services but functions as a specialized and complimentary component of a comprehensive Federal approach to farmworker problems, which must include employment and training, as well as a mixture of innovative programs directed at developing the resources and independence of the whole community. NAFO feels that a broad based development approach which provides for the needs and thus, the vitalization of the entire community, and moves toward mobilizing the various resources of that group is essential to the long-range economic independence of Farmworkers.

In addition, we must add that the Department of Labor has not always been willing to carry out the congressional intent of its responsibility to farmworkers.

Last year NAFO was forced to go to court under *NAFO* v. *Marshall* to force the Department of Labor to release the full amount of funds appropriated to farmworkers by Congress.

This year the Department of Labor is saying that the responsibility for farmworker housing, which they have carried out in the past, will no longer be a part of that agency's program support unless it can be directly related to job training.

It is this narrow view of farmworker support services which leads us to argue for the following budget consideration at CSA.

First, last year Congress saw the wisdom of establishing a new farmworker program title at CSA, title IV, in the CSA reauthorization bill, to emphasize the attention the Director should give to migrant and farmworker programs.

This continued the authorization of title III-B for farmworker programs under the 1964 Economic Opportunity Act, but also expanded it to allow CSA to fund farmworkers under the following CSA program categories for the first time:

Section 222(a)(7) Senior Opportunity and Services, section 222(a)(11) Rural Housing Development and Rehabilitation, section 222(a)(13) Summer Youth Recreation, section 722 (a) and (b) Financial Assistance to Individuals and Organizations, and section 731 (c) (2) and (3) the Development Loan Fund. These new programs are in addition to the present programs serving farmworkers; that is section 222(a)(5) Community Food and Nutrition Program and section 222(a)(12) Emergency Energy Conservation Services Program. However, the administration's proposal to cut the CFNP program to $8 million, and the transferral of energy conservation moneys to the Department of Energy which by congressional language is unauthorized to fund community-based organizations will seriously hurt farmworker services in these areas.

30-PERCENT SET-ASIDE FOR FARMWORKER AND INDIAN PROGRAMS

The 5.8 million farmworkers and their dependents along with an estimated 1 million American Indians comprise 26 percent of our country's 26 million poverty population. This percentage, along with the additional funds needed to develop innovative planning and delivery systems to those populations traditionally excluded, provides the rationale for a 30-percent set aside of funds for farmworkers and Indians under each of the above program categories.

Furthermore, this is to be a national emphasis program, with direct headquarters development and administration of planning, program development, program monitoring, funding and evaluation. We are pleased to see that the Director is presently carrying out this commitment with the formation of a farmworker desk in the agency. However, to insure compliance with enabling legislation and committee intent, the agency should submit the following to the Senate and House Appropriations Committees:

(a) Complete plans for the implementation of the seven special programs. This would include program goals and priorities, specific program objectives, program performance standards, program monitoring and evaluation plans, a timetable for planning, grant review and allocation of funds and a management plan for direct headquarters administration. In addition, this plan shall include interagency agreements and a detail of proposed activities to be undertaken by the agency to improve access to and the quality of delivery of these programs. This plan should be submitted no later than August 1, 1979;

TITLE IV OF THE ECONOMIC OPPORTUNITY ACT AMENDMENT OF 1978

We request $35 million for title IV—Assistance for Migrant and Other Seasonally Employed, Farmworkers and Their Families. Because of the general lack of agency direction, we feel compelled once again to set out its clear intentions as to how this program is to be administered.

1. This is to be a nationally administered program;

2. As part of its responsibility to nationally administer this program, the Community Services Administration shall submit the following to the Senate and House Appropriations Committees:

(a) A complete plan for the implementation of title IV, of the Economic Opportunity Act of 1978. This plan shall include program goals and priorities, specific program objectives, program performance standards, program monitoring and evaluation plans, a timetable for planning, grant review and allocation of funds and a management plan for national administration. In addition, this plan shall include interagency agreements and a detail of proposed activities to be undertaken by the agency to plan and report on the types of projects which are being designed to meet the immediate needs of migrant and seasonal farmworkers and their families, which promotes increased community acceptance of migrant and seasonal farmworkers and their families the ability to meet the changing demands of agricultureal employment.

(b) A complete plan of coordination of all farmworker programs operated by the Community Services Administration, specifically farmworker programs being operated under section 222(a) (5), (7), (11), (12), (13), and section 722 (a) and (b), and section 731(c) (2) and (3) of the Economic Opportunity Act of 1964.

3. The Community Services Administration should issue a report on the compliance or noncompliance with this and previous congressional instructions by December 15, 1979.

The Community Services Administration is in a unique position to assume a leadership role among Federal agencies and departments in providing a comprehensive human development approach to farmworker problems, and to offer the support necessary for achieving economic independence.

Farmworkers comprise the poorest of the Nation's poor, and receive very little of the benefits or protection of Federal and State programs designed to help the poor, such as medicaid, medicare, unemployment insurance, workmen's compensation, or the ability, with the exception of one State, to have their collective-bargaining activities legally recognized and protected.

When Congress established the Office of Economic Opportunity, they fully realized this need, and gave OEO not only the money but the authority to protect the rights of farmworkers and to provide programs to alleviate the sufferings of poverty. This authority is still there, and was even strengthened last year by Congress. Congress now needs to give the authority some meaning, and provide appropriate funding to CSA to carry out this job.

Thank you members of the committee for your respective consideration of our request.

CETA VERSUS CSA FUNDING

Mr. ALLEN. First of all, I do want to make this comparison since this committee deals both with the CETA funding and CSA funding, which concerns us. I would like to point out the difference in philosophy between these two programs.

From their inception, the Economic Opportunity Act and the Comprehensive Employment and Training Act have represented two different philosophical approaches. CETA proposed to deal with the problem by concentrating resources on unemployment to provide job training and employment for economically disadvantaged unemployed and underemployed persons, the premise being that unemployment or underemployment was the main cause of poverty.

This narrow approach necessarily led to restrictive enforcement regulations that permit Federal funds to be used only for those activities clearly connected to greater emphasis on job training and employment.

The regulations allow for supportive services, but their provision is only incidental to job training and employment. The standards for reviewing funding proposals for farmworkers programs give out of a possible 100 points only 10 for "farmworker experience," while up to 40 may be earned for employment and training.

The point here is the Community Services Agency and OEO predecessors always saw farmwork as a viable and legitimate form of occupation. However, with the need for necessary support of services and the fact that the wages were so poor in this area of employment—and this regards CSA emphasis in program funding. Examples of these are a present program called "Farmwork National Hotline," which allows farmworkers all over the country to phone in free to seek out services, remedies for injustices, and to be directed toward better employment or programs that exist that could serve them.

FARMWORKERS NATIONAL HEALTH INSURANCE PROGRAM

CSA has also funded a farmworkers national health insurance program, as you know. Many of us could use a national health insurance program. Farmworkers are almost always excluded from medicare, medicaid, this type of thing.

We've also funded farmworker cooperatives, credit unions, and women's equity programs. It's this comprehensive approach to service for farmworkers that leads us to put our emphasis once again back into community services agencies.

Just to make one point about CETA before we leave this, CETA does not duplicate CSA services but functions as a specialized and complementary component of the comprehensive Federal approach to farmworkers' problems, which must include employment and training as well as a mixture of innovative programs directed at developing the resources and independent of the whole community.

NASO feels that a broad-based development approach which provides for the needs and thus the revitalization of the entire community moving toward mobilizing the various resources of that group is essential to the long-range independence of farmworkers.

I would like to add at this point, the Department of Labor, which has been entrusted since 1973 with the majority of farmworker programs, has not always been willing to carry out the congressional intent, which is responsible to the farmworkers. Last year we had to go to court versus Secretary Marshall to force the Department of Labor to release the funds that Congress had appropriated to us for farmworkers.

This year the Department of Labor is saying that the farmworkers' housing is perhaps not an area of concern that they should be involved in and will only be involved in farmworker housing where it is directly related to job training and employment.

H-2 CERTIFICATION REQUIREMENT

Another example of conflict that we're having with the Department of Labor is the Department of Labor's irresponsible behavior in H-2 certification requirement that is placed on them by the Immigration and Naturalization Service. I notice the Department of Labor has called for the employment of foreign labor outside of this country where we have proven, in fact, that existing here were American farmworkers out of work and available for work in local areas. These are other issues.

I know we don't have time to get into all of this. I would like to get to the main point.

Last year Congress saw the wisdom of establishing a new farmworker program at CSA, title IV, in the CSA reauthorization bill, to emphasize the attention the director should give to migrant and farmworker programs.

This continued the authorization of title III–B for farmworker programs under the 1964 Economic Opportunity Act, but also expanded it to allow CSA to fund farmworkers under the following CSA program categories for the first time:

Section 222(a)(7) senior opportunity and services; section 222(a)(11) rural housing development and rehabilitation; section 222(a)(13) summer youth recreation; section 722 (a) and (b) financial assistance to individuals and organizations; and section 731(c) (2) and (3), the development loan fund.

These new programs are in addition to the present programs serving farmworkers; that is, section 222(a)(5) community food and nutrition program, and section 222(a)(12) emergency energy conservation services program.

However, the administration's proposal to cut the CSMP program to $8 million and the transferral of energy conservation moneys to the Department of Energy, which, by congressional language, is unauthorized to fund community-based organizations, will seriously hurt farmworker services in these areas.

FOOD STAMP PROGRAM

I would like to point out, too, regarding the administration's proposal, representatives from the field have pointed out that although the food stamp program has eliminated the $50 purchase requirement, the poor families that are eligible for this program are taking that $50 and putting it where inflation has hurt them most, in terms of housing, energy, as this lady spoke to, and the other necessary costs of living, and are now left with $100 worth of food stamps instead of $150 as before.

It's putting more emphasis on community nutrition and food services. That program was also intending to provide information and training regarding food stamps.

30-PERCENT SET-ASIDE AT CSA

The direction we have to establish is a 30-percent set-aside at the Community Services Administration for the seven program categories. Based on the fact that 5.8 million farmworkers of this country, along with an estimated 1 million American Indians comprise 26 percent of our country's 26 million poverty population, this percentage, along with the additional funds needed to develop innovative planning and delivery systems to those populations traditionally excluded, provides the rationale for the 30-percent set-aside of funds for farmworkers and Indians under each of the above program categories.

Furthermore, this is to be a national emphasis program, with direct headquarters development and an administration of planning, program development, program monitoring, funding, and evaluation. We are pleased to see that the director is presently carrying out this commitment with the formation of a farmworker desk in the agency.

SUBMISSION OF PLAN TO APPROPRIATIONS COMMITTEE

However, to insure compliance with enabling legislation and committee intent, the agency should submit the following to the Senate and House Appropriations Committees:

Complete plans for the implementation of the seven special programs. This would include program goals and priorities, specific program objectives, program performance standards, program monitoring and evaluation plans, a timetable for planning, grant review, and allocation of funds, and a management plan for direct headquarters administration.

In addition, this plan shall include interagency agreements and a detail of proposed activities to be undertaken by the agency to improve access to and the quality of delivery of these programs. This plan should be submitted no later than August 1, 1979.

The title IV section of the CSA 1978 reauthorization bill that reestablished and broadened farmworkers traditionally has no money. There is very little money to operate title IV. We're requesting $35 million be placed into title IV, which is the assistance to migrant and other seasonally unemployed farmworkers and their families. And because of a general lack of agency direction, we feel compelled once again to set out its clear intentions as to how this program is to be administered on the national level, and the director should report to this committee by August 1 with this plan.

To summarize, I would like to say that the Community Services Administration is in a unique position to assume a leadership role among Federal agencies and departments in providing a comprehensive human development approach to farmworker problems and to offer the support necessary for achieving economic independence.

Farmworkers comprise the poorest of the Nations' poor and receive very little of the benefits or protection of Federal and State programs designed to help the poor, such as medicaid, medicare, unemployment insurance, workmen's compensation, or the ability, with the exception of one state, to have their collective-bargaining activities legally recognized and protected.

MINIMUM WAGE FOR SUGAR WORKERS

I would like to add that in recent sugar hearings taking place in both the House and Senate the administration was proposing to program up the industry with a billion dollars' worth of subsidies. We have requested a minimum wage of $4 an hour for sugar workers to be included in this bill. This is with labor support.

We have been totally rejected by both the growers and, in many instances, Members of Congress who have been hearing this testimony.

I would like to mention at this time, $4 an hour results to, for a family of six people, less than below poverty minimum wage annual salary established by the Department of Labor. It's about $7,600 per year, I believe, and I think the poverty level for a family of six is $8,400-some presently.

This is assuming that a farmworker would have full employment 40 hours a week, 52 weeks of the year. I know it's indicative of the fact that employment in farmwork itself will never suffice to support farmworkers in this country until such things as collective bargaining can establish decent wages for this.

Community service agencies do support the services that the Department of Labor and CETA never will, which can aid farmworkers through this period of poverty until they can assume the right to demand recognition for the value of their own work.

In summary, I will say that the Congress established the Office of Economic Opportunity. They fully realized this need and gave OEO not only the money but the authority to protect the rights of farmworkers and to provide programs to alleviate the sufferings of poverty. This authority is still there and was even strengthened last year by Congress. Congresss now needs to give the authority some meaning and provide appropriate funding to CSA to carry out this job.

Thank you. I appreciate your time.

Senator EAGLETON. Thank you, Mr. Allen.

EARMARKS FOR FARMWORKERS

Is it not the case that the Labor Department earmarks about $87 million for farmworkers under CETA, whereas the Community Service Administration earmarks only $1 million of their funds for farmworkers?

Mr. ALLEN. That is true. CSA has requested more than $1 million. This is what they have been given by OMB. It was not true in the beginning. I believe it started out in 1964 with $35 million at that time, in the farmworkers-designated OEO.

Senator EAGLETON. Well, I think it's a fair thing to say that this is a society, in a sense, that's left behind many groups, whether it's innercity blacks or old people. No group, I think, has been more left behind than farmworkers. They always seem to be falling between all sorts of cracks, whether it's Federal programs, State programs, local programs, et cetera.

Somehow or other, farmworkers never seemed to fit into some of the programs, and their plight is a severe one.

When you point out the economics, even at $4 an hour minimum wage—as you say, that's predicating a 40-hour week, 52 weeks out of the year—I dare say there are precious farmworkers who work 52 weeks out of the year. It's very seasonal. So, I don't think anyone can seriously fault your economics, as made in your proposal.

I want to thank all of our witnesses. It's been a very full day, and we've heard from a very wide range of viewpoints, and you have been very helpful to us. Thank you.

[CLERK'S NOTE.—The following statements were submitted for the record. (Several additional statements which were not received in time for inclusion in the hearing record are on file in the subcommittee office.)]

STATEMENT OF MARVIN J. PETERSON, CHAIRMAN OF THE BOARD, NATIONAL ASSOCIATION OF VETERANS PROGRAM ADMINISTRATORS

By way of introduction, I am Marvin J. Peterson, Chairman of the Board of Directors of the National Association of Veterans Program Administrators (NAVPA), which is a professional nonprofit organization representing 1,100 institutions of higher education across the United States who are recipients of Veterans Cost of Instruction Payments (VCIP) awards. For the record, this is NAVPA's statement concerning funds for higher education in HEW's 1980 budget and specifically the $14,380,000 requested for the VCIP.

Mr. Chairman, NAVPA is acutely aware of the problems faced by the Committee in trying to stay within the President's recommended budget, however, in the Presidential Review Memorandum (PRM) on Vietnam Veterans which was released on October 10, 1978, the President ordered new initiatives and improvement in four areas of concern; one of which was education for veterans. Although the Veterans Cost of Instruction Payments (VCIP) program is not a new initiative, it is one under which over 581,000 veterans have received immeasurable benefits. The Veterans Cost of Instruction Payments (VCIP) program was established in response to Congressional concern that Vietnam Era veterans acquire the training guaranteed to them under the entitlement provision of the GI Bill. At the time of enactment, less than half of the eligible veterans had applied for educational benefits and over 500,000 had not completed their high school education. VCIP was designed to provide incentives and supporting funds for colleges and universities to outreach and recruit veterans and to establish special programs and services necessary to assist educationally disadvantaged veterans in readjusting to an academic or vocational setting.

Administered by the U. S. Office of Education, VCIP is an institutional aid program which provides for a cost-of-instruction payment to postsecondary institutions based on their undergraduate veteran enrollment. The institution must establish and maintain a fulltime Office of Veterans' Affairs to provide counseling and tutorial services, outreach and recruitment activities, and also provide special programs for educationally disadvantaged veterans.

It is estimated, through 1983, there will still be 2.5 million eligible GI Bill recipients (the cutoff date to use the GI Bill is December 31, 1989).

With institutions of higher education facing enrollments that are showing a marked decline it would be an added bonus, not only to the veterans but also to higher education, if this program were to continue at a more realistic level of funding. Certainly, there are many veterans, as stated above, who are not aware of or who do not know how to take advantage of the opportunities for jobs that can be realized through better education and training. The VCIP's throughout the nation can continue to encourage these veterans into enrolling into such programs through outreach, counseling and advisement, and by establishing special courses for the educationally disadvantaged. This is an effective, proven program wherein the VCIP schools can help these veterans in their quest to become more productive and useful citizens.

The present budget submitted by the Office of Education (OE) for FY 1980 of $14,380,000 is too little to accomplish the task at hand. The budget recommendation was based on estimated figures for a declining veteran population without taking into consideration the actual amount of money that had been appropriated in previous years. The Office of Education failed to take into account the fact that the VCIP program has never received more than 16% of the funding level authorized by Congress. They based their projection on the point that VCIP colleges received $46.84 per-student-cost in 1978 and claim the FY 1980 budget will maintain that same per-student-cost. This oversight also does not take into account that the budget is based on a per-student-cost factor only after the applications are received which show only the number of Fulltime Equivalent (FTE) veterans in attendance on April 16th of the award year. It does not make adjustments for those veterans who are educationally disadvantaged and who attended on a less than fulltime rate.

President Carter also recommended in the PRM that veterans who are identified as educationally disadvantaged be given an additional two years beyond their 10-year delimiting date to use their GI Bill. This recommendation has already been presented to the House Veterans' Affairs Committee in testimony by the VA. Certainly, a companion to the President's request should be a continuation of VCIP at a meaningful appropriation which will improve and increase the delivery of services to veterans. Without adequate funding this will not occur.

When colleges face declining enrollments and, hence, declining budgets, programs previously maintained by government support to help the educationally disadvantaged oftimes are the first to go; VCIP monies would be used to maintain these special programs. If the $14,380,000 budget figure remains, it will mean a reduced level of services. Although the veteran student population will, in all probability, be reduced; the amount of money provided for the Offices of Veterans' Affairs on the campuses should not be reduced because the same number of staff will be needed and the same amount of time and effort must be carried out. If the amount requested ($14,380,000) can be increased back to the original $23,750,000, we will be able to continue this proven and effective program. Without this additional money, many participating colleges will be eliminated and veterans who need the services provided by this program will not make use of their GI Bill. They must be outreached and encouraged by their peers.

NAVPA, respectfully, requests that the $14,380,000 be increased to the level of funding that has existed throughout the program's existence; that of $23,750,000 per year. The $9,370,000 increase will be a worthwhile investment in the veterans. It will also mean an added boost in enrollments at our higher educational institutions, creating a great benefit to the nations educational community.

Thank you for your kind consideration to this request.

STATEMENT OF THEODORE J. PLANJE, CHAIRMAN, COMMITTEE ON MINERAL RESOURCES, NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Mr. Chairman and members of the Subcommittee, I am Theodore J. Planje, Chairman of the Committee on Mineral Resources of the National Association of State Universtities and Land Grant Colleges. The Association represents some 100 public universities and colleges, and its Committee on Mineral Resources consist of representatives of the Nation's major mining and mineral engineering and science schools and departments, particularly those which have a long history for education and research in these fields. Among these is the School of Mines and Metallurgy of the University of Missouri-Rolla of which I serve as the dean.

I am grateful to you and your colleagues for extending me this opportunity to offer this statement on behalf of the Committee in support of continued funding of the Domestic Mining and Mineral and Mineral Fuel Conservation Fellowships (Mining Fellowships), as authorized in Title IX, Part D, Section 961 (a) (1) of the Higher Education Act, as amended, and we respectfully urge that the funding of this program be continued at the authorized level of $4.5 million in fiscal year 1980.

Since the initial funding of the program in fiscal year 1975, 1555 fellowships have been awarded to some 900 individuals, most of whom have completed graduate degrees in one of the several fields appropriate to the program. An increased number will receive degrees at the end of the current academic year, and 500 more fellowships will be awarded shortly from the funds appropriated for the current fiscal year. As previously reported, the program has produced nearly a fourfold increase in the graduate enrollment in these disciplines since 1974.

Inspite of the increased enrollments and numbers of students awarded degrees in the several disciplines, the demand for graduates continue to exceed the supply. The imbalance between supply and demand is of such proportions that industry and universities still find it necessary to recruit personnel with graduate degrees in mining and related mineral engineering fields from abroad. The last three additions to my own faculty are presently on temporary visas from Australia, Venezula, and Turkey. My colleagues report similar practices in fulfilling their staffing needs.

As you appreciate, the Nation's mineral economy continues on the decline, and consequently the country is becoming increasingly dependent on imported mineral commodities. Based on the Department of the Interior's Mineral Commodity Summaries 1979, imports of aluminum and bauxite, antimony, barite, cadmium, chromium, copper, fluorspar, gypsum, ilmenite, mercury, nickel, selenium, silicon, sulphur, thallium, and zinc increased in 1978 over 1977. In addition the country is predominately or totally dependent upon imports for such commodities as: cesium, columbium, corundum, diamond, sheet mica, the platinum-group metals, scandium, strontium, tantalium, and tin. Our growing dependence upon imports of these mineral supplies is imparing our total economy and poses a threat to our National security, if the country should be denied access to the foreign mineral reserves for any of a number of reasons which are arising at increased frequency in our international relations.

The Mining Fellowship Program was originally authorized by Congress in its recognition that mining, mineral and mineral fuel engineering and science education and research had been badly neglected in this country over the some three decades prior to 1974. We appreciate the desires of Congress and the Administration to restrict the authorization of expenditures in fiscal year 1980. However, the need for the program is more critical than when the program was authorized, and its cost is modest in comparison with the contribution mineral imports, other than petroleum, are making to our trade deficits.

To date the Program has been of significant benefit in ways other than increasing the supply of graduates in the fields. First, it has already restored the image of the Mining, mineral and mineral fuels professions, which is evidenced by the fact that student applications for the Fellowships continue to exceed the number to be awarded. However, the majority of the practicing mining, mineral and mineral fuels engineers and scientists received their academic degrees prior to or within the decade immediatley following World War II. In mining alone more than fifty percent of the practicing engineers received their degrees prior to 1955 and within the next ten years will reach retirment age. Therefore, the Mining Fellowship Program, if sustained, can ultimately provide the experienced, top-level engineers and scientists required to replace the disproportionately large numbers of the present leaders in these professions in industry, government and education who will, all too soon, leave the professions. Secondly, because of the recent adoption of health and safety standards, announced coal production goals, and the surface mine reclamation legislation, research and development in the mining, mineral and mineral fuels industries have become defensive in character, primarily directed toward up-grading present technologies and practices to bring these into compliance with the prevailing regulations. This is the consequence of several factors, including: short lead-time for compliance, lack of alternate technologies in development or ready for reduction to practice, present investments in capital facilities, problems in capital formation for new facilities to implement alternate technologies, and uncertainties in the future international price structure of mineral and mineral fuel commodities.

The academic research stimulated by the Mining Fellowship Program cannot effectively address the short-term needs. However, the main thrust of the research projects being pursued by the current Fellows is directly toward the development of alternate future technologies, which may meet compliance standards more readily and be more cost effective and energy efficient (see the Attachment). Increasing attention is being given to process technology for lower grade ores and alternate domestic minerals sources for imported ores. Such alternate mineral sources for metallic and non-metallic commodities is in the interest of reducing the Nation's dependence upon foreign reserves of high-grade or traditional ores for these commodities.

While the research of the Fellows may not bring forth whole new technologies, most will assess the feasibility for further research and subsequent development to be pursued by future Fellows in the Program. However, more importantly, the Mining Fellowship Program is preparing a new generation of mining, mineral and mineral fuel engineers and scientists with the education, experience and motivation to participate in activities to manage more effectively our mineral and mineral fuel reserves with appropriate concern for the health and safety of workers in the industries and the industry's impact upon the environment.

The faculties of the departments and schools of mining, mineral and mineral fuel engineering and science also suffer the same age problem, as cited above, for the profession in general. As previously mentioned, many of the faculty additions recruited in the recent past are foreign nationals, who are qualified to offer fundamental instruction, but are not familiar with the technology and practices of the industries in this country, the geological or mineralogical character of our mineral and mineral fuel reserves, or of the legislation and regulations which impact upon the industries. The Mining Fellowship Program is serving to educate better qualified individuals to fill future faculty positions to ensure that our universities can sustain viable academic programs in mining, mineral and mineral fuels.

Most importantly, the program has permited those students, who meet the scholastic requirements to enter graduate school, to pursue advanced degrees which they would not have otherwise undertaken. The job market for B.S. graduates in the several disciplines are excellent with starting salaries ranging from $18,000 per year. Therefore, the Fellowships provide the only incentive for a select number of qualified students to pursue advanced degrees for higher level jobs, where manpower is in even shorter supply.

Members of the Committee on Mineral Resource

Dr. R. L. Ash, Chairman, Department of Mining Engineering
Michigan Technological University, Houghton, Michigan

Dr. Earl H. Beistline, Dean School of Mineral Industries
University of Alaska, Fairbanks, Alaska

Dr. William E. Copeland, Dean, Graduate School
Colorado School of Mines, Golden, Colorado

Dr. Fred W. Demoney, President,
Montana College of Mineral Science & Technology, Butte, Montana

Dr. William A. Dresher, Dean, College of Mines
University of Arizona, Tucson, Arizona

Dr. Douglas W. Fuerstenau, Chairman, Department of Materials
& Mineral Engineering, University of California-Berkeley, CA

Dr. Charles L. Hosler, Dean, College of Earth & Mineral Sciences,
The Pennsylvania State University, University Park, PA

Dr. Joseph L. Leonard, Dean, College of Mineral & Energy Resources,
West Virginia University, Morgantown, West Virginia

Dr. Lawrence H. Lattman, Dean, College of Mines & Mineral
Industries; University of Utah, Salt Lake City, Utah

Dr. Carl Rampacek, Director, Mineral Resources Institute
The University of Alabama, University, Alabama

Dr. Henry B. Smith, Dean of Engineering & Reserach-Engineering
North Carolina State University, Raleigh, N.C.

Dr. Roy E. Williams, Chairman, College of Mines
University of Idaho, Moscow, Idaho

Attachment I

INSTITUTIONS PARTICIPATING IN THE FISCAL YEAR 1978 DOMESTIC MINING & MINERAL FUEL CONSERVATION FELLOWSHIP PROGRAM

(Academic Year 1978-79)

ALABAMA

University of Alabama, 5 fellowships

"Domestic Mining and Mineral and Mineral Fuel Conservation Fellowships." Dr. George C. Wang, Associate Professor of Mineral Engineering, University of Alabama, Box 2846, University, AL 35486.

ALASKA

University of Alaska, 2 fellowships

"Fellowship Programs for Preparing Mining Engineers or Mineral Preparation Engineers." Dr. Nils I. Johansen, Associate Professor of Mineral Engineering, University of Alaska, Fairbanks, AK 99701.

ARIZONA

University of Arizona, 26 Fellowships

"Preparing Mining and Mineral Engineers and Mineral Economists." Dr. William H. Dresher, Dean, College of Mines and Director, Arizona Bureau of Mines, University of Arizona, Tucson, AZ 85721.

CALIFORNIA

Stanford University, 9 fellowships

"Fellowships for Applied Earth Sciences and Geophysics." Dr. Irwin Remson, Chairman, Department of Earth Sciences, Stanford University, Stanford, CA 94305.

University of California @ Berkeley, 30 fellowships

"Graduate Programs for Leadership in Domestic Mining and Mineral and Mineral Fuel Conservation." Dr. D. W. Fuerstenau, Professor and Chairman, Department of Materials Science and Mineral Engineering, University of California, Berkeley, CA 94720.

University of California at Los Angeles, 2 fellowships

"Ceramic Processing." Dr. John Mackenzie, Vice Chairman and Professor, Materials Department, School of Engineering and Applied Science, UCLA, Los Angeles, CA 90024.

COLORADO

Colorado School of Mines, 30 fellowships

"Resource Conservation." Dr. William D. Copeland, Dean, Graduate School, Colorado School of Mines, Golden, CO 80401.

University of Colorado, 4 fellowships

"Preparing Fuel Conservation Chemical Engineers." Dr. Lee F. Brown, Acting Chairman and Professor of Chemical Engineering, University of Colorado, Boulder, CO 80309.

FLORIDA

Florida State University, 6 fellowships

"Domestic Mining and Mineral Fuel Conservation Fellowship Program." Dr. George W. DeVore, Professor and Chairman, Department of Geology, Florida State University, Tallahassee, FL 32306.

GEORGIA

Georgia Institute of Technology, 6 fellowships

"Mineral Engineering." Dr. Joseph L. Pentecost, Chairman, Mineral Engineering Committee, Georgia Institute of Technology, Atlanta, GA 30332.

University of Georgia, 6 fellowships

"Preparing Students in Mineral Resource Fields." Dr. Robert H. Carpenter, Associate Professor of Geology, University of Georgia, Athens, GA 30602.

IDAHO

University of Idaho, 25 fellowships

"Domestic Mining, Minerals, and Mineral Fuels Fellowship Program." Dr. J. R. Hoskins, Head, Department of Mining Engineering and Metallurgy, University of Idaho, Moscow, ID 83843.

ILLINOIS

Northwestern University, 5 fellowships

"Mineral Resources Engineering and Management." Dr. Charles H. Dowding, Professor of Civil Engineering, Northwestern University, Evanston, IL 60201.

Southern Illinois University, 6 fellowships
"Fellowship Program for Surface and Deep Coal Mine Studies." Dr. John C. Guyon, Dean, Graduate Studies, Southern Illinois University, Carbondale, IL 62901.

University of Illinois-Urbana-Champaign, 2 fellowships.

INDIANA

Indiana University, 4 fellowships.
"Domestic Mining and Mineral and Mineral Fuel Conservation Fellowships." Dr. Haydn H. Murray, Chairman, Department of Geology, Indiana University, Bloomington, IN 47401.

Purdue University, 6 fellowships
"Mineral Utilization and Mining Methods." Dr. W. L. Meier, Jr., Head, School of Industrial Engineering, Purdue University, West Lafayette, IN 47907.

IOWA

Iowa State University, 6 fellowships
"Fellowship Program for Preparing Mining and Mineral Fuel Scientists and Engineers." Dr. Bert E. Nordlie, Professor and Chairman, Department of Earth Sciences, Iowa State University, Ames, IA 50011.

KANSAS

University of Kansas, 2 fellowships
"Tertiary Oil Recovery Fellowship Program." Dr. Don W. Green, Professor of Chemical and Petroleum Engineering, University of Kansas, Lawrence, KS 66045.

KENTUCKY

Eastern Kentucky University, 3 fellowships
"Preparing Geologists with Mining Specialization." Dr. Norman C. Hester, Associate Professor of Geology, Eastern Kentucky University, Richmond, KY 40475.

University of Kentucky, 6 fellowships
"Mineral Conservation Graduate Fellowship Program." Dr. Richard S. Mateer, Professor of Metallurgical Engineering, University of Kentucky, Lexington, KY 40506.

MASSACHUSETTS

Harvard University, 6 fellowships
"Master's and Ph.D. Program in Mining Geology." Dr. Ulrich Petersen, Professor of Mining Geology, Harvard University, Cambridge, MA 02138.

Massachusetts Institute of Technology, 11 fellowships
"Fuels Engineering and Mineral Resource Engineering and Management." Dr. Herbert H. Einstein, Associate Professor of Chemical Engineering, Massachusetts Institute of Technology, Cambridge, MA 02139.

MICHIGAN

Michigan Technological University, 15 fellowships
"Fellowship Program for Preparing Engineers for Mining and Mineral Industries." Dr. Donald G. Yerg, Dean, Graduate School, Michigan Technological University, Houghton, MI 49931.

University of Michigan, 2 fellowships
"Fellowship Program for Studies on Steel Plant Waste Material Recycling." Dr. Robert D. Pehlke, Professor of Metallurgical Engineering and Department Chairman, University of Michigan, Ann Arbor, MI 48109.

MINNESOTA

University of Minnesota, 15 fellowships
"Mineral Resource Engineering Fellowship Program." Dr. Steven L. Crouch, Associate Professor, Department of Civil and Mineral Engineering, University of Minnesota, Minneapolis, MN 55455.

MISSOURI

University of Missouri-Rolla, 27 fellowships
"Mining and Mineral and Mineral Fuel Conservation Fellowship Program." Dr. [illegible]. J. Planje, Dean, School of Mines and Metallurgy, University of Missouri-Rolla, Rolla, MO 65401.

MONTANA

Montana College of Mineral Science and Technology, 6 fellowships. "Preparation of Engineers and Other Scientists for Employment in Mineral Industries." Dr. Vernon Griffiths, Chairman, Graduate School, Montana College of Mineral Science and Technology, Butte, MT 59701.

NEVADA

University of Nevada-Reno, 5 fellowships
"Preparing Mineral Scientists and Engineers." Dr. James R. Firby, Assistant Dean, Mackay School of Mines, University of Nevada-Reno, Reno, NV 89557.

NEW JERSEY

Princeton University, 2 fellowships
"Two-year Full-time Master's Degree and Four-year Full-time Doctoral Degree Program to Prepare Engineers in Combustion Science and Technology." Professor W. A. Sirignano, Director of Graduate Studies, Department of Aerospace and Mechanical Sciences, Princeton University, Princeton, NJ 08540.

Rutgers, The State University, 6 fellowships
"Mineral Conservation Through Recycling Technology." Dr. W. Richard Ott, Associate Professor and Graduate Director, Department of Ceramics, Princeton University, P. O. Box 909, Piscataway, NJ 08854.

NEW MEXICO

New Mexico Institute of Mining and Technology, 5 fellowships
"Preparing Mining, Petroleum, Metallurgical, and Mineral Exploration Studies." Dr. Marvin H. Wilkening, Dean of Graduate Studies, New Mexico Institute of Mining and Technology, Socorro, NM 87801.

NEW YORK

Columbia University, 13 fellowships
"Full-time Master's Degree Program for Mining Engineers, Mineral Engineers, and Mineral-Metallurgists." Dr. John K. Tien, Professor, Henry Krumb School of Mines, Columbia University, New York, NY 10027.

Cornell University, 4 fellowships
"Fellowship Program in Economics Geology." Dr. Donald L. Turcotte, Professor of Geological Sciences, Cornell University, Ithaca, NY 14853.

NORTH DAKOTA

University of North Dakota, 10 fellowships
"Lignite Fellowship Program." Dr. A. William Johnson, Graduate School, University of North Dakota, Grand Forks, ND 58202.

OHIO

Case Western Reserve University, 2 fellowships
"Education in Petroleum Geology, Improved Coal Processing and Recycling." Professor John F. Wallace, Chairman, Department of Metallurgy and Materials Science; Case Western University, 10900 Euclid Avenue, Cleveland, OH 44106.

Ohio State University, 6 fellowships.

OKLAHOMA

University of Oklahoma, 12 fellowships.
"Program for Preparing Petroleum and Geological Engineers." Dr. Gordon Atkinson, Dean, Graduate College, University of Oklahoma, Norman, OK 73019.

University of Tulsa, 4 fellowships
"Petroleum Exploration." Dr. Stanley J. Laster, Associate Professor of Geophysics, University of Tulsa, Tulsa, OK 74107.

PENNSYLVANIA

Lehigh University, 2 fellowships
"Fellowships Program for Preparing Scientists and Engineers for Careers in Mineral and Mineral Fuel Conservation." Dr. J. Donald Ryan, Professor of Geology, Lehigh University, Bethlehem, PA 18015.

Pennsylvania State University, 38 fellowships
"Domestic Mining and Mineral and Mineral Fuel Conservation Fellowships." Dr. B. F. Howell, Jr., Associate Dean, Graduate School, Pennsylvania State University, University Park, PA 16802.

SOUTH DAKOTA

South Dakota School of Mines and Technology, 9 fellowships
"Fellowship Program Preparing Engineers for Mineral Fuels and Processing Industry." Jack A. Redden, Acting Dean, Graduate Division, South Dakota School of Mines and Technology, Rapid City, SD 57701.

TEXAS

Southern Methodist University, 2 fellowships
"Fellowship Program for Preparing Exploration and Development Oriented Geologists." Dr. Charles F. Dodge, Adjunct Professor of Geological Sciences, Southern Methodist University, Dallas, TX 75275.

Texas Tech University, 1 fellowship
"Interdisciplinary Program in Enhanced Oil Recovery." Dr. Harry W. Parker, Professor of Chemical Engineering, Texas Tech University, Lubbock, TX 79409.

University of Texas @ Arlington, 3 fellowships
"Fellowship Program for Preparing Exploration and Development Oriented Geologists." Dr. Charles I. Smith, Professor and Chairman of Geology, University of Texas @ Arlington, Arlington, TX 76019.

University of Texas @ Austin, 13 fellowships
"Enhanced Oil Recovery and Exploration." Dr. Robert S. Schechter, Chairman, Department of Petroleum Engineering, University of Texas @ Austin, PEB 211, Austin, TX 76712.

UTAH

University of Utah, 25 fellowships
"Fellowship Program for Training Engineers in Mining and Mineral and Mineral Fuel Conservation Technologies." Dr. David M. Bodily, Associate Professor of Fuels Engineering, 311 Browing Mineral Science Building, University of Utah, Salt Lake City, UT 84112.

VIRGINIA

Virginia Polytechnic Institute & State University, 17 fellowships. "Fellowships in Coal Technology." John E. Osborne, Jr., College of Engineering, VPI, Blacksburg, VA 24061.

WASHINGTON

Eastern Washington University, 3 fellowships
"Fellowship Program for Mineral Fuel and Energy Exploration Training." Dr. Ernest H. Gilmour, Professor of Geology, Eastern Washington University, Cheney, WA 99004.

Washington State University, 4 fellowships
"Fellowships Program for Preparing Exploration Geologists." Dr. W. Frank Scott, Professor and Chairman, Department of Geology, Washington State University, Pullman, WA 99164.

University of Washington, 5 fellowships.

WEST VIRGINIA

West Virginia University, 20 fellowships.
"Domestic Mining and Mineral and Mineral Fuel Conservation Fellowships." Dr. Stanley Wearden, Dean, Graduate School, West Virginia University, Morgantown, WV 26506.

WISCONSIN

University of Wisconsin-Madison, 8 fellowships
"Fellowship Program for Preparing Mining Engineers." Dr. Robert W. Heins, Professor of Mineral Engineering, Department of Metallurgical and Mineral Engineering, University of Wisconsin, Madison, WI 53706.

WYOMING

University of Wyoming, 5 fellowships
"Fellowship Program for Mineral Fuel Development." Dr. D. L. Stinson, Head, Mineral Engineering Department, University of Wyoming, Laramie, WY 82071.

STATEMENT OF THE INDIAN AND NATIVE AMERICAN CETA COALITION

The Department of Labor submission for Fiscal Year 1980 contains a request for appropriations to fund all Indian and Native American programs authorized by the Comprehensive Employment and Training Act. In addition, the "program administration" and other support accounts contain funds needed for staff, technical assistance, training and related activities.

The minimum funding levels for Indian and Native American CETA programs are set by formula provisions in the authorization statute. DOL has requested the statutory minimum amount for comprehensive training services under Section 302. The Indian amounts for the various Public Service Employment (PSE) and youth programs are not specifically indicated in the DOL materials. However, the Department has consistently provided no more than the minimum levels mandated by law.

The FY 80 budget request involves several issues vital to the continued effective operation of Indian and Native American programs. These include:

First, the level of support available for PSE programs. Public Service Employment is a very valuable employment program tool on many Indian reservations where virtually no alternative job opportunities presently exist. Tribes and native Alaskan groups use PSE programs to provide essential educational, social and other services as well as to buttress community and economic development efforts. Preliminary indications from DOL surveys show that Indian tribes and native Alaskan groups are using available PSE resources at or near planned levels. There is no shortfall in the present performance of Indian PSE programs.

> We ask the Committee to recommend continued support for PSE programs at not less than the slot levels in the DOL budget. Further, we ask the Committee to direct DOL, in any use of its reallocation authority, to insure full funding for Indian PSE programs.

Second, the implementation of the Title VII Private Sector Initiative Program. Indian tribes and native Alaskan and Hawaiian groups are eligible for a small amount of discretionary money in the new CETA Title VII program. The development of unsubsidized, private sector jobs is obviously vital to the long term development of Indian and Native American communities. The extended delay in implementation of the Title VII program is causing serious problems for many tribes. DOL issued an official solicitation for Title VII proposals last December. (The Indian program is competitive, not formula-funded.) Once proposals are returned, they must be screened on the basis of merit and then reviewed for compliance with statutory requirements. Any additional delay resulting from Congressional inaction on the DOL request for FY 79 supplemental funding for Title VII will seriously damage the credibility of Indian tribes and Native American groups in establishing strong ties with private sector businesses around the Title VII program.

> We ask the Committee to take swift action to make Title VII Private Sector Initiative Program funding available this Fiscal Year at not less than the $400 million requested by the Administration.

Third, the provision of appropriate monitoring and technical assistance and training support for all Indian and Native American programs. Indian and Native American program operators -- tribes, urban and other Native Ameican groups -- are direct recipients of funds under CETA. Therefore, they must comply with nearly all of the basic requirements imposed on city and state prime sponsors by the Act and the regulations. This requires that Indian program operators receive continual, responsive assistance from DOL staff in order to understand and meet all the established administrative and programmatic standards. DOL cannot provide this monitoring assistance unless there is adequate staff in its Division of Indian and Native American Programs (DINAP) -- the unit with special expertise in Indian affairs that administers all Indian and Native American CETA grants.

DINAP already operates at staff levels far below those of DOL units serving city and state prime sponsors. DOL data shows that DINAP has about one "Federal Representative" for every twelve grantees. The ratio of "Fed Reps" serving city and state prime sponsors is believed to be one per every two grantees.

The DOL budget submission projects a substantial cut -- on the order of 12% --in total Employment and Training Administration staffing between the end of FY 78 and the end of FY 80. Any reduction in the staff serving Indian and Native American grantees would have a very damaging effect on the ability of these grantees to understand and meet the requirements for the program set by the Congress. Staff cuts would mean that even fewer Indian programs would get visited on-site; that there would be even fewer "Fed Reps" to answer requests for clarification of CETA rules and reporting requirements; and that there would be generally less support available to help grantees run good programs.

> We ask the Committee to direct DOL to establish performance standards for the level of Federal Representatives serving all recipients and to allocate staff positions to DINAP commensurate with

the needs of Indian and Native American grantees.

A closely related concern involves the level of technical assistance and training (TAT) support available to Indian and Native American programs. Good TAT is needed, both to help grantees improve their program operations, and to strengthen their fiscal and administrative systems. In the past, DOL officials have told the Congress that they are aware of these needs and pledged increased TAT support to Indian programs. DOL actions are moving rapidly in the opposite direction.

DOL has requested $15,010,000 in TAT funds for FY 80. Of this total, the Department plans to spend only $250,000 on TAT for Indian programs. Grantee-for-grantee, this is far less than the Department is spending on TAT for city and state prime sponsors. There are 174 Indian and Native American grantees, compared to 460 prime sponsors. The 174 grantees would share $250,000 in TAT resources, or a little over $1,400 per grantee. The 460 prime sponsors would share an estimated $7,500,000 in TAT resources made available on a regional basis, or over $16,000 per grantee. By this standard, the level of Indian TAT support is only 8% of that available per grantee to the city and state prime sponsors operating the very same kinds of CETA programs. The abysmally tiny amount of TAT support available for Indian programs has led DINAP to actually abolish its internal staff unit charged with overseeing TAT activities. This happened at precisely the time when Indian programs are under extreme pressure to strengthen their management systems and to maximize their performance in placing more structurally unemployed workers into permanent, unsubsidized jobs.

> We ask the Committee to direct DOL to increase the level of TAT support to at least $5,000 per grantee and to establish a basis for the more equitable allocation of future TAT resources between Indian and other CETA recipients based on the relative needs of the various grantees.

The Indian and Native American CETA Coalition will be happy to provide the Committee with any further information it may need in its deliberations on the Indian aspects of the Fiscal Year 1980 CETA budget request.

STATEMENT OF JOHN D. SPELLMAN, COUNTY EXECUTIVE, KING COUNTY, SEATTLE, WASH.

I am distressed by recent newspaper accounts concerning the Senate Appropriations Subcommittee on HEW, DOL and related agencies hearings on the CETA-funded Summer Youth Program. The reports in the press have been quite sensational, emphasizing the number of ineligible participants and the inappropriateness of many of the 'jobs' at which youth were 'employed'. Based on our experience as a local CETA prime sponsor, I question whether or not the reports accurately reflect the typical operation of the Summer Youth Program throughout the nation, or whether they simply add perhaps unwarranted publicity to the adverse opinions contained in the recent GAO report which was based on a small handful of prime sponsors. The negative press reports certainly do not correspond in any way to the type of program which we operate here in King County, Snohomish County, and the City of Seattle.

It may well be true that the Summer Youth Program was originally conceived as a means to keep young people off the streets and out of trouble during the summer months. However, during the years the focus of the summer program has been changed. If the Summer Youth Program in this area is an example, it would appear that the jobs for youth are not only meaningful in terms of career development and skills training, but also in terms of developing good work habits. In FY 1978, young people enrolled in our summer youth program repaired the homes of the low-income elderly, worked as laboratory technician assistants at the University of Washington School of Nursing, worked for sickle cell programs, and did research for consumer protection. We had young people preparing test cultures for the Department of Fisheries, transferring medical information into computer systems, working with physical therapy patients, and working as tutors for the foreign born. In all, more than 6,000 of our area's low-income youth received a valuable employment experience and income last summer that otherwise would not have been available to them.

Quite frankly, we are proud of our summer program. All of our participants are economically disadvantaged, and most of them come from families with poverty-level incomes. We are convinced that our commitment to quality programs has not only provided learning and earning power to these low-income youth in the summer months, but has also provided enhanced future employability.

This is not to say that the program could not be improved. There are two areas in particular that we believe should be reviewed. The first is the restriction on paying salaries which are above the minimum wage; and the second is the prohibition against placing participants in jobs in the private sector. Were we able to develop jobs in the private sector, we would be better able to meet the varied interests and needs of the disadvantaged youth. Each youth's work experience would be even more meaningful in terms of his/her long-range goals and employment opportunities. Being able to pay more than the minimum wage would enable us to better meet the economic needs of certain segments of the youth population, particularly those youth who have dropped out of school and who are dependent upon their own resources for survival.

We feel that our experience offers highly cogent evidence of the Summer Youth Program's immediate and long-range benefit to the community and to the youth it serves. We are confident that your further inquiry will lead you to share our conclusions, and will dispel the notions and perceptions which seem to be captivating the national and local media.

STATEMENT OF EUGENE WIEGMAN, COMMISSIONER, EMPLOYMENT SECURITY DEPARTMENT, OLYMPIA, WASH.

I want to let you know the good news about the exemplary programs Washington State's CETA contractors are operating for our youth. The recent adverse publicity on the Summer Program for Economically Disadvantaged Youth (SPEDY) may not have reflected the majority of nationwide SPEDY programs. The following statistics and information will demonstrate that you can be proud of our fine CETA SPEDY programs in the State of Washington.

At the end of the most recent Summer Program for Economically Disadvantaged Youth, in September 1978, Washington State had spent $11,572,225 of CETA Title III monies to train and employ 13,253 youths between the ages of 14 and 21. Of that original $11,572,225, only 7% ($810,055) was used for administrative costs, while 93% of the total ($10,762,170) went directly to services for our youth. Youths enrolled in our SPEDY programs averaged only $812 for a whole summer of work.

Our young people in SPEDY programs were provided education, jobs, training, supervision, counseling, and career information while working in private non-profit or government agencies. These agencies included the Forest Service, local school districts, libraries, city halls, hospitals, day care centers, and many other public service facilities. Examples of jobs performed by these young people include: providing home maintenance services to low-income senior citizens; custodial and caretaker jobs; child care workers; dental clinic assistants; and language interpreters for the Department of Social and Health Services.

The level of supervision provided in these programs is generally good. In 32 of our 39 counties (the Balance of State), our youth received additional supervision from persons hired under CETA Title VI funds. The purpose of this special supervision was to provide the youth with extra training, counseling and guidance. These special supervisors were first given intensive training to orient them to the employing agency, to SPEDY and to the CETA program. They learned CETA and SPEDY eligibility requirements, program content, payroll procedures, time sheets, child labor laws, and their supervisory and counseling roles in relation to both the employing agency and the young workers. This uniquely supportive SPEDY program is the result of a Washington prime sponsor's concern for strengthening program effectiveness.

All SPEDY programs in Washington State stress work-oriented training. Depending upon the needs of the youthful workers, state SPEDY programs also provide remedial education (basic math, science, and reading); General Equivalency Diploma (GED) preparation; first-aid and safety training on the job; occupational and labor market information; resume writing; job search and interviewing techniques. In some instances, school credit is earned, based on competencies achieved during work experience.

The intent of SPEDY is to serve low-income, high school students. The State of Washington has done an admirable job in meeting this goal. Only 4% of the total served were post-high school graduates, and 8% were high school dropouts. Of the young people served by statewide SPEDY programs this past summer, 98.5% were economically disadvantaged, 35% were minorities, 43% were members of families receiving public assistance, 50.6% were males, and 49.4% were females.

These summer programs provide education, leadership training, and needed financial assistance to the disadvantaged youth of our state. In SPEDY, our young people are introduced to career direction, work experience, and are given a sense of self-worth. The objective of SPEDY is to assist these disadvantaged young people to either return to or remain in school until graduation, to find unsubsidized work, or to complete a GED program. SPEDY programs are also expected to increase the opportunities of youth in securing full-time, private sector employment.

I am enclosing examples of SPEDY programs funded throughout Washington State, demonstrating what a valuable program SPEDY can be if properly administered. If you wish further information on the SPEDY program, please call Doug Allen of my Employment and Training staff, at (206) 754-1009.

If I can be of further assistance to you in this or other matters, please let me know. Your continued support and cooperation on issues of concern to the citizens of our state are greatly appreciated.

SPEDY Projects

Project Title

English As A Second Language Class

Sponsor

King County Work Training Program--Federal Way District

Location

Educational Services Building, Service Center School,
Federal Way School District

Description

1. Purpose-- To improve English language skills of Korean and Vietnamese students.

2. Skill Training--Exposure to written and spoken forms of English language.

3. Accomplishments

   - Implementation of ESL program which is provided to 12 young people:

     a) orientation to American culture
     b) social and cultural skill training
     c) reading and writing enrichment

4. Unique Features of Project

   - Special attention was given to the grammer, speech and sentence structure problems unique to foreign students

   - Program received support and cooperation of Federal Way School District.

SPEDY Projects

Project Title

United Cerebral Palsy Career Awareness and Development Project

Sponsor

1. King County Work Training Program, Shoreline District
2. United Cerebral Palsy Satellite Program

Location

1. Cerebral Palsy Center
2. Cerebral Palsy Satellite

Description

1. Purpose--To acquaint wheelchair victims of cerebral palsy with the world of work by having them locate and gain placement in volunteer and paid jobs.

2. Skill Training for WTP Participants--Job seeking skills--resume writing, letters to employers. Job retention skills--basic work habits. Career exploration (library, secretarial, stackwork).

3. Accomplishments:

    - Five out of 9 participants found jobs at agencies (WTP, Wallingford Boy's Club, Ark, Northwest Hospital, Greenlake Park Department Art Building).
    - Increased youths' awareness of independent living.
    - Increased community awareness of CP victims and their potential for providing meaningful work.

4. Unique Features of Project

    - Fieldtrips, speakers.

SPEDY Projects

Project Title

Home Care Program for Low Income Handicapped and Senior Citizens

Sponsor

Clark County Human Resources Department

Location

Clark County, Washington

Description

1. Purpose - To provide lower income handicapped or senior citizens help with housework, laundry, yard work, shopping and other non-professional services
2. Skill Training for Participants - First aid maintenance skills, career exploration
3. Accomplishments:
    - Assisted 278 senior citizens with non-medical, non-professional service
    - Increased participants' awareness of the elderly and handicapped needs

SPEDY Projects

Project Title

Red Barn Ranch Project

Sponsor

1. King County Work Training Project
2. Seattle Parks and Recreation

Location

Red Barn Ranch

Description

1. Purpose - To aid in the maintenance of Red Barn Ranch.
2. Skill Training for WTP Participants - Exposure to building and grounds maintenance, animal care.
3. Accomplishments:
    - Built and repaired fences
    - Built animal pen
    - Landscaped grounds using bark
    - Horse grooming
4. Unique Features of Project:
    - WTP participants had the opportunity to work on a ranch.

SPEDY Projects

Project Title

Senior Citizen Minor Home Repair

Sponsor

1. Northwest Services Council, Bellingham
2. Whatcom County Senior Services

Location

Whatcom County, Washington

Description

1. Purpose - To acquaint youth with the world of work and the home maintenance needs of low income senior citizens and handicapped individuals.

2. Skill Training for SPEDY Participants - Labor market and occupational information, job finding skills, resume writing. Development of good work habits and basic home maintenance skills (carpentry, wiring, plumbing, yard maintenance)

3. Accomplishments:

   - Improved work skills of the youth
   - Increased community awareness of youth's ability to assist senior citizens
   - Maintains the value of the property of the low income senior citizen

SPEDY Projects

Project Title

Sea Water Adaptability for Testing of Juvenile Hatchery Reared Salmon

Sponsor

U.S. National Marine Fishery Service

Location

Kitsap County, Washington

Description

1. Purpose - To explore better ways of when to release salmon in salt water
2. Skill Training for Participants - Fish husbandry, oceanography, data collection and tabulation, employment orientation
3. Accomplishments:
    - Increase the number of salmon available for sports fishermen and commercial harvest
    - Reduce the competition between hatchery and wild salmon
4. Unique Feature of the Project:

    School credit granted for skills learned on the job

SPEDY Projects

Project Title

Toy Project

Sponsor

King County Work Training Program

Location

5 Locations in King County: Auburn, Federal Way, Burien, Northshore, Muckleshoot Indian Reservation

Description

1. Purpose - To make and repair toys for Headstart Programs, Latch Key Programs, daycare centers.
2. Skill Training for Participants - Exposure to carpentry, woodworking
3. Accomplishments:
   - Repaired play equipment at Headstart Center
   - Made toys and play equipment -- doll houses, puppet stages, blocks, dominos, furniture, toy chests
4. Unique Features of Projects:
   - Free community service to child care programs
   - Fun project for youth

SPEDY Projects

Project Title

Tahoma Tutoring Project

Sponsor

1. King County Work Training Program, Tahoma District
2. Tahoma School District

Location

Cedar River Elementary

Description

1. Purpose - To provide a summer school program for elementary students
2. Skill Training for WTP Participants - Exposure to education, child care.
3. Accomplishments:
   - 30 children received tutoring in reading, spelling and math
   - Pre- and post-testing indicate that the program had significant impact on reading, spelling, math levels.
   - Developed tutoring materials.
4. Unique Features of Project:
   - Community service: only summer school program in Tahoma School District

SPEDY Projects

Project Title

Playground Repair Project

Sponsor

1. King County Work Training Program, Rentron District
2. Renton School District

Location

Renton School District

Description

1. Purpose - To paint and repair elementary school playground equipment
2. Skill Training for WTP Participants - Exposure to painting, equipment repair, grounds maintenance
3. Accomplishments:
    - Painted lines in parking lots and playfields (all elementary schools, 3 high schools).
    - Painted and repaired play equipment at elementary schools
    - Aided in grounds maintenance at elementary schools
4. Unique Features of Project:
    - Provided needed service to school district.

STATEMENT OF COMMISSIONER JOHN HORN, NEW JERSEY DEPARTMENT OF LABOR AND INDUSTRY

Mr. Chairman, Members of the Subcommittee, I appreciate this opportunity to present New Jersey's concerns about the CETA program in FY 1980.

I am deeply concerned with the prospect of cuts being made in the CETA budget for FY '80. Our economy is entering into some very troubled times. Despite efforts to the contrary, inflation is still running rampant. Furthermore, there is a real concern on the part of both public and private economists that we are going to be experiencing a recession. The net effect of the coexistence of these two factors, a high rate of inflation and a high level of unemployment, is most acutely felt by those groups at the lower end of our wage spectrum. When one considers that the primary determinents of high rates of inflation and unemployment are factors which can't be controlled by the individuals most adversely impacted, then cutting back services to these groups becomes a problem which can't be morally justified.

If any Title VI budget cut is effectuated based on the need to reduce the overall domestic budget, it will reflect the abandonment of this nation's commitment to a rational public service employment policy to provide temporary employment to those individuals who are most adversely affected by cyclical downturns in the economy. In the reauthorized version of CETA, Congress made a firm commitment to the establishment of a countercyclical job creation program. Within the Statement of Purpose Section of Title VI, Congress expressed its intent to authorize enough monies to provide jobs for 20 percent of the number of unemployed in excess of 4 percent or 25 percent of the number of unemployed in excess of 4 percent when the national rate of unemployment exceeded 7 percent. In short, budgetary decisions concerning this particular program were supposed to be made on the basis of prevailing economic conditions and the concurrent need for the program. In the past, very real and serious problems existed with the CETA program, principally the PSE component of that program. The "new CETA" contains considerably tightened language governing the operation of that program. The mechanisms which were incorporated into the new CETA have not yet had the opportunity to demonstrate their efficacy in improving the overall CETA/PSE program. Budget cuts based on negative perceptions of the old CETA, therefore, will delay the implementation of these improvements. In short, the new CETA must be given an opportunity to demonstrate its effectiveness.

The new CETA contains tightened eligibility requirements for both PSE programs (Titles IID and VI). Although primarily designed to be countercyclical, the Title VI eligibility requirements target jobs to those who are most in need of PSE ... those who have the lowest skill levels, lowest wages, and, also, who are the first to be laid off in a recession. This targeted approach to PSE should serve to significantly alter the demographic characteristics of PSE participants.

Aside from reaching a new class of client, the tightened eligibility requirements for PSE make the program less costly than before. According to the Congressional Budget Office and the Department of Labor estimates, the net cost of PSE is 50 percent or less of the gross outlay for the program. This is because CETA jobs result in decreases in the costs of other social service programs (i.e., unemployment insurance, food stamps, welfare, etc.), and, also, because these jobs result in an increase in taxable income. The major advantage of PSE, however, is that it is not an income maintenance program. Rather, it is a jobs program which carries to individuals the psychological and sociological benefits which are coincident with employment. It allows individuals to develop (where none existed before), or retain an attachment to the labor force and the mainstream of our society.

The reauthorized CETA contains mechanisms to insure that PSE performs the functions outlined above. It places a greater emphasis on training as part of an overall PSE program to enable individuals to become viable members of the labor market.

In addition to being a targeted program, the "new CETA" PSE programs virtually insure that new participants be placed in entry level or project positions. The average wage provision ($7,200 nationally), stringent limitations on the maximum allowable wage, and restrictions on the amount of monies which can be used for supplementation will further serve to redirect the PSE program in a more positive direction. While we assert that the existence of these limitations makes the task of developing PSE slots inordinately more difficult, we also accept the changes which will be brought about by these provisions will be positive ones. For example, wages will be too low to attract and retain individuals who are competitive in the labor market. Also, substitution will be virtually nonexistent or minor because the established average wage levels are too low, as we are finding, to allow for existing Civil Service classification systems to be utilized. Again, the legislative changes, if given the chance to be implemented, will bring about positive program results. Any attempt to cut the budget for PSE will undermine these attempts and make the transition period from the old to new CETA that much more difficult.

I am aware that, nationally, there is considerable underspending in PSE programs. This problem exists to a minimal extent in New Jersey. The reasons Prime Sponsors have given us vary. Several state that the new eligibility requirements make it much more difficult to find eligible participants. Others cite DOL's lack of direction and confusion over the requirements of the new legislation as being the principal factor in delaying the start of programs. Of greater import, however, is that fact that many Prime Sponsors in New Jersey are at or above planned spending levels. These sponsors indicate that they are still confronted with grossly inadequate funds to serve all their eligible participants.

The solution to this dilemma cannot be found in cutting back monies for PSE. Rather, an attempt should be made to reallocate funds from those areas which aren't serving participants to those areas which are ably serving people. Whereas, it is recognized that some dislocation will occur as a result of reallocation (both to those areas losing and gaining funds), it is hoped that DOL can provide the necessary assistance to minimize the extent of dislocation.

Thank you for the opportunity to provide comments.

STATEMENT OF THE AMERICAN INDIAN DEVELOPMENT ASSOCIATION, BELLINGHAM, WASH.

EXECUTIVE SUMMARY: A REQUEST FOR $6,879,602 SUPPLEMENTAL FUNDING FOR THE LOCAL INDIAN FUEL TECHNOLOGY (LIFT) PROJECT TO SAVE $30,000,000 IN TEN YEARS.

It has been determined that two-thirds of the fuel costs on Indian reservations can be saved by converting Indian homes to local energy sources. This would result in a savings of about $1.7 billion in the next ten years, as well as 60 million barrels of oil.

The Local Indian Fuel Technology (LIFT) project study, completed in March 1979, was funded by the Community Services Administration and was carried out by the American Indian Development Association (AIDA), the Montana MHD and Energy Research and Development Institute (MERDI), Rocky Boy's and Northern Cheyenne (Montana), Cheyenne River Sioux (South Dakota), and Fort Berthold (North Dakota).

This constitutes a demonstration program which can later be applied to more than 100,000 Indian homes.

It is proposed as a result of this study that supplemental funding be provided to the four Indian reservations included in this demonstration program. The funding is essential to convert Indian homes to modern coal or wood furnaces, to establish coal mines or wood supply systems, to provide fuel processing and delivery, and to provide some experimental economic development costs which are related to local fuel. The benefit on the four reservations over a ten year period would total $20,090,141, at a cost in supplemental funding of $6,879,602. This represents a 3 to 1 benefit/cost ratio. This amount of funding would convert two-thirds of all homes on the four reservations and establish all of the technology needed for the local fuel supply and distribution systems.

It is further proposed that a second year supplemental of $2,228,120 be provided to convert the remaining one-third of Indian homes to local fuel consumption. The total benefit after complete conversion in ten years would be $30,000,367 at a total cost of $9,107,723 for a 3.29 benefit/cost ratio.

The escalating energy costs on Indian reservations are having devastating effects. The study showed that approximately half of the six months' winter income is used to purchase fuel. Incomes average $3600 per year per family, and when $800 to $1000 per year pays for fuel, the remainder is not adequate to cover food, transportation, clothing and other essentials.

Present fuel inflation is averaging in excess of 15% per year and is expected to continue at that level. This level would result in the quadrupling of energy costs in ten years. For example, the cost of electricity went up 61% January 1, 1979, for Montana tribes; yet, all new homes on the Rocky Boy's Reservation are planned by HUD to have electric heating.

The reservation economies are static and at most are subject to approximately 6% annual inflationary rates. Thus, local fuel systems could be controlled at a 6% annual increase, if not less. Half the local fuel cost would be due to labor, and local labor costs have been increasing at less than 6% per year.

The figures above do not take into account the income from economic development projects associated with the low cost fuel available on the reservation.

It is highly probably that the returns from this income over a ten year period would far exceed the $9 million investment needed in order to firmly establish this program. Further, by reducing the annual cost of the fuel to one half of the present value, the fuel costs are well within the range of even the low income levels on the Indian reservations.

At present most of the fuel bills are being paid by non-Indian taxpayers through welfare, provisions of the Brooke Amendment for low cost rental housing, and other subsidies. These costs would total more than $2.1 billion during the next ten years for 100,000 Indian homes. By adopting the LIFT plan proposed here, savings and benefits of approximately $1.7 billion will result. It will also be possible for virtually all of the local fuel costs to be paid for locally, removing the burden from the non-Indian taxpayer.

Table 1. Summary of benefits and costs for converting homes on four Indian reservations to local fuel from present petro-electric energy.

	FOUR RESERVATIONS					1980
	Rocky Boys, Montana	Northern Cheyenne, Montana	Cheyenne River, South Dakota	Fort Berthold, North Dakota	1979 Total	2-Year Funding Grand Total
1.0 Number of homes converted, 1979	270	66 new/315 total	450	366	1152	1728
2.0 Conversion Costs						
2.1 Furnaces and retrofit	$ 860,146	$ 207,280	$1,376,600	$1,149,717	$3,593,743	$1,796,871
2.2 Coal mine or wood supply development	169,000	135,500	93,708	74,043	472,251	
2.3 Fuel processing	58,200	91,275	110,050	115,440	380,965	
2.4 Fuel delivery	197,000	160,800	409,000	360,000	1,126,800	
2.5 Start-up costs and economic development related to local fuel	200,000	90,000	190,000	135,000	575,000	431,249
2.6 Direct project management costs (12%)	171,400	82,000	257,442	220,000	730,842	
2.7 Total conversion costs	$1,655,746	$ 766,855	$2,402,800	$2,054,200	$6,879,601	6,879,602
						$9,107,723
3.0 Fuel Costs/Year						
3.1 Present (propane, electric, oil)	$ 222,210	$ 158,398	$ 344,796	$ 327,990	$1,053,394	$1,580,091
3.2 Local fuel (coal, wood)	59,400	90,987	272,792	181,714	604,893	907,340
4.0 10-Year Cumulative Costs						
4.1 Present (at 15%/year increase)	$5,139,852	$3,663,842	$7,975,341	$7,686,608	$24,465,643	$36,548,467
4.2 Local fuel (at 6%/year increase)	(841,493)	(1,290,668)	(3,869,607)	(2,577,648)	(8,579,416)	(12,870,782)
4.3 Total fuel conversion savings/10 years	4,298,359	2,373,174	4,105,734	5,108,960	15,886,227	23,677,685
4.4 Add value of 49% of 4.2 for local labor	412,332	632,427	1,896,107	1,263,048	4,203,914	6,322,682
5.0 10-Year Local Benefit*	$4,710,691	$3,005,601	$6,001,841	$6,372,008	$20,090,141	$30,000,367
6.0 Benefit/Cost (10-Year Period)	2.85	3.92	2.50	3.05	2.92	3.29

*excluding fuel related economic development

LIFT REPORT SUMMARY

Introduction

An 800-page study has been completed which details all aspects of the Local Indian Fuel Technology (LIFT) program. This program proposes to replace petro-electric heating with local coal or wood resources under local management on four Indian reservations, including Rocky Boy's and Northern Cheyenne (Montana), Cheyenne River Sioux (South Dakota), and Fort Berthold (North Dakota).

The purposes for converting Indian homes to local energy sources are:

- To save two-thirds of reservation fuel costs, which would save $1.7 billion in ten years; and 60 million barrels of oil;
- To provide jobs on the reservations related to supplying fuel locally;
- To create new small industries based on local low-cost energy;
- To reduce the energy cost burden on Indian families which now consumes about one-half of winter income;
- To cut the present annual fuel inflation from 15% to 6% on the reservations;
- To save the non-Indian taxpayers more than $1 billion in welfare fuel costs over the next ten years.

The LIFT demonstration program would prepare the way for converting all reservations to local fuel. The four reservations represent all of the major problems and also reflect areas of greatest need. Thus, all four of them are necessary to fulfill the purposes of the program.

Table 1 summarizes the LIFT program costs and benefits, both annually and over a ten-year projection. The funding is requested over a two-year interval with $6,879,602 in 1979 (to cover all technology and 66% of the home conversion), and $2,228,120 in 1980 to complete the remaining 33% of home conversions. Two-thirds of the homes converted (1152) would result in a $20 million ten-year benefit, while all homes (1728) would provide a $30 million benefit. Thus, 30% more cost will yield 50% more benefit.

The study is summarized according to the appropriate program components below.

Conversion of Homes to Local Fuel

Heat budgets were analyzed for homes, and furnace capacities were matched to them. A search was made of modern coal or wood furnaces on the market, and the three leading makes were analyzed in the MERDI and other laboratories and tested in homes on two reservations. Analysis included cost, burning characteristics, pollution control, maintenance requirements, burning efficiencies, fuel storage problems, control systems, feasibility of fabrication on the reservation, standardization of parts, and the problems of retrofitting. The latter included locating furnaces in homes (whether inside, outside, or in the basement), ducting, and fuel storage.

The detailed breakdown of costs of furnace conversion included the cost of the furnaces, ducting, building of outside shelters, and storage bins. The resulting total cost for the furnace and retrofitting averaged $3100 per home.

Table 2 below is an example of the conversion data arrived at by door-to-door survey and engineering analyses.

Table 2. Summary of Retrofit Costs for Rocky Boy Reservation

Unit	# of Units	Material Cost	Labor Cost	Total/Unit	Total
Coal Bins	224	$ 400.00	$ 50.00	$ 450.00	$100,800.
Space Heaters	5	650.00	106.00	756.00	3,780.
100,000 Btu Furnace	190	1,200.00	192.00	1,392.00	264,480.
200,000 Btu Furnace	80	1,500.00	192.00	1,692.00	135,360.
Adapt Duct Work	238	568.00	362.00	930.00	221,340.
New Duct Work	27	600.00	348.00	948.00	26,568.
Outbuilding	94	607.00	540.00	1,147.00	107,818.
TOTAL					$860,146.

Fuel Supplies

Both coal and wood were found to be feasible local fuel resources. In most cases, coal was available and was recommended as being the more efficient for home heating. However, those areas where coal was not available and wood was, a wood-burning fuel system for the reservation was outlined.

Coal mine development plan included a coal search, methods of mining, the mining plan for each specific site, a detailing of equipment, operational procedures, maintenance requirements, and labor needs.

A similar analysis and plan was developed for wood supplies which emphasized waste wood or regularly harvested fuel from either wild or planted tree stands. The total cost for all mining equipment was $472,251. A plan to amortize equipment for replacement in ten years was included.

Reclamation

Each mine site requires an Environmental Impact Statement associated with the specific mining plan. It was determined that adequate reclamation was possible on each of the four reservations, and since the area to be mined in each one was restricted to one to three acres per year, the conservation techniques are relatively easy and certain. The cost per acre for reclamation would vary between $2000 and $5000 per year, which is cost effective.

Fuel Processing

Detailed costs for processing fuel were determined which included hauling, cleaning, crushing, storing and protecting from moisture or dirt contamination. In the case of wood, chipping and drying are required preliminary to storage. The details of equipment, operation, maintenance and labor needs were specified. For the four reservations these total $380,965.

Fuel Delivery

The methods of fuel delivery were detailed, including equipment, programming, management, labor and storage needs. It was found that due to larger areas and wide distribution of homes some reservations required two and a half times the delivery costs than others had. The total cost for the four reservations is $1,126,800, which is primarily for equipment. Operating costs are to be paid for by the fuel consumers on the reservation.

Economic Development

Several possibilities for economic development related to local low-cost fuel appeared. One company offered to franchise the fabrication of its furnaces to reservations who would also become licensed distributors for the region.

Low-cost fuel would also facilitate several food production systems such as greenhouse and food processing plants. These were investigated and funding was obtained for implementation of a solar-coal greenhouse on the Rocky Boy's Reservation. This is under construction and will be in operation in spring, 1979. In addition to supplying the local needs for vegetables, this can be expanded into a large-scale commercial operation employing approximately 40-50 people. This would be a prototype for similar installations on other reservations.

It was also discovered that a good market exists for native plants (seeds, bulbs, cuttings, etc.) needed for reclamation in the western coal mining operations. This could become a major industry for several reservations and utilize greenhouses heated by low-cost solar/coal energy.

A total of $575,000 is provided to begin economic development programs.

Justification for Supplemental Funding

During the three years that this project has been underway, consistent efforts have been made to obtain the support from several federal agencies including HUD, HEW, DOE, EDA, DOL and CSA. While each of them has shown interest in the project, they have all indicated that none of them has the capacity to fund a major portion of the project. But perhaps the major problem is that it is virtually impossible to coordinate the funding from several agencies on this scale in order to provide all needs of the program.

It has been concluded therefore, that the only way in which this demonstration program can be effectively supported is through a specific appropriation which covers all aspects of this program. It can therefore go through to completion quickly and with cost effectiveness. It is hoped that the 3 to 1 benefit/cost ratio will support this conclusion.

STATEMENT OF PHILIP A. LO PRESTI, PRESIDENT, NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT

THE NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT, A NATIONAL TRADE ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS, IS REQUESTING THE SUB-COMMITTEE TO PROVIDE A LEVEL OF FUNDING FOR THE COMMUNITY ECONOMIC DEVELOPMENT PROGRAM OF THE COMMUNITY SERVICES ADMINISTRATION (KNOWN AS TITLE VII) OF NOT LESS THAN

$66.6 MILLION FOR FISCAL YEAR 1980.

THE FUNDS WOULD BE DIVIDED TO PROVIDE:

$59.6 MILLION FOR PART A, FOR ADMINISTRATIVE AND PROGRAM COSTS FOR CDCS, INCLUDING $39.9 MILLION FOR THE COMPETITIVE VENTURE CAPITAL FUND, A UNIQUE INNOVATION OF THE PRESENT CSA/OED MANAGEMENT WHICH HAS BEEN HIGHLY PRAISED BY THE CARTER ADMINISTRATION;

$2 MILLION FOR PART B, SPECIAL RURAL PROGRAMS, WHICH HAS FOSTERED MANY EXPLORATIONS OF ALTERNATIVE MEANS OF INSURING ECONOMIC DEVELOPMENT IN RURAL AREAS;

$2 MILLION FOR TECHNICAL ASSISTANCE, THE LACK OF WHICH WAS LISTED BY THE HOUSE GOVERNMENT OPERATIONS COMMITTEE AS A CAUSE OF MANY PAST PROBLEMS IN THE PROGRAMS; AND

$3 MILLION FOR EVALUATION AND RESEARCH, TO SEEK OUT AND TEST PROGRAM CONCEPTS CAPABLE OF TRANSFERRING THE KNOWLEDGE AND TECHNIQUES GAINED FROM THIS PROGRAM TO NEEDY AREAS OF THE NATION.

THE CARTER ADMINISTRATION'S REQUEST OF $44.5 MILLION IS INADEQUATE BECAUSE IT WOULD ALLOW NO NEW "PLANNING GRANTS;" IT DOES NOT ALLOW SUFFICIENT RESEARCH AND EVALUATION FUNCTIONS; IT DOES NOT PROVIDE SUFFICIENT FUNDS FOR CURRENT LEVEL REFUNDINGS OF EXISTING CDCS; AND IT DOES NOT PROVIDE SUFFICIENT FUNDS FOR COMPETITIVE VENTURE CAPITAL FUND. THE RESULT OF THE RECOMMENDED LEVEL WOULD BE TO GRADUALLY ELIMINATE EXISTING ORGANIZATIONS, WITHOUT PROVIDING ENOUGH FUNDS FOR REPLACEMENT BY NEW ORGANIZATIONS.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO PRESENT THE VIEWS OF THE NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT. I AM PHILIP LO PRESTI, PRESIDENT OF NCCED.

THE NCCED IS A NATIONAL TRADE ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS AND OTHER ORGANIZATIONS INTERESTED IN COMMUNITY- BASED ECONOMIC DEVELOPMENT. NCCED, HEADQUARTERED IN WASHINGTON, D.C., IS THE NATIONAL MEMBERSHIP ORGANIZATION OF CDCS, INCLUDING ALMOST ALL OF THOSE FUNDED BY THE COMMUNITY SERVICES ADMINISTRATION/OFFICE OF ECONOMIC DEVELOPMENT, ABOUT WHICH I COME BEFORE YOU TODAY.

COMMUNITY-BASED ECONOMIC DEVELOPMENT IS A STRATEGY FOR UTILIZING THE BEST PARTS OF THE PRIVATE ENTERPRISE SYSTEM FOR THE REVITALIZATION OF OUR NATION'S POVERTY-STRICKEN AREAS. CED IS USUALLY CARRIED OUT BY COMMUNITY DEVELOPMENT CORPORATIONS, WHICH PROVIDE A MECHANISM FOR COMPREHENSIVE PLANNING, FINANCIAL AND MANAGERIAL DEVELOPMENT, AND COMMUNITY PARTICIPATION FOR THE ECONOMIC DEVELOPMENT OF THE COMMUNITIES WHICH ESTABLISH AND OWN CDCS.

CDCS COME IN A WIDE VARIETY OF STRUCTURES AND FORMATS, BUT ALL HAVE THREE BASIC PARTS:

1) A CORPORATE STRUCTURE, WITH A PROFESSIONAL STAFF WITH PLANNING, ADMINISTRATIVE AND MANAGERIAL CAPABILITIES;

2) COMMUNITY OWNERSHIP AND CONTROL, USUALLY THROUGH A ELECTED BOARD OF DIRECTORS;

AND 3) A BALANCED PROGRAM OF PLANNED ACTIVITIES INCLUDING BUSINESS DEVELOPMENT ACTIVITIES, COMMUNITY DEVELOPMENT ACTIVITIES, AND INSTITUTIONAL DEVELOPMENT ACTIVITIES.

THE FIRST POINT, CORPORATE STRUCTURE, IS THE CORNERSTONE UPON WHICH THE CDC IS BUILT. THE CORPORATE STRUCTURE, EITHER FOR-PROFIT OR NOT-FOR-PROFIT, ALLOWS CONTINUITY OF THE ORGANIZATION BEYOND ANY SINGLE PERSON, AND THE PROFESSIONAL STAFF PROVIDES THE FULL TIME EXPERTISE NECESSARY FOR ANY SIGNIFICANT PROJECT.

THE SECOND POINT, COMMUNITY OWNERSHIP AND CONTROL, IS THE KEY DIFFERENCE BETWEEN THIS AND OTHER ECONOMIC DEVELOPMENT PROGRAMS. CDCS ARE ORIENTED TOWARD DEVELOPMENT OF THE ENTIRE COMMUNITY, WITH NO SPECIFIC BENEFIT DIRECTED SOLELY TO ONE PERSON OR GROUP. THE COMMUNITY CAN BE RURAL OR URBAN, LARGE OR SMALL, OR OF ANY ETHNIC GROUP. WE DEFINE COMMUNITY AS "A COMMUNITY OF INTEREST" RATHER THAN AS A GEOGRAPHIC AREA. YET IT IS CRUCIAL THAT THE COMMUNITY AT LARGE CONTROL THE CORPORATION TO PREVENT DEVIATION FROM WHAT IS REALLY NEEDED FOR CREDIBLE DEVELOPMENT, OR WORSE, TO PREVENT CORRUPTION BY A FEW OF WHAT IS INTENDED FOR ALL. WIDESPREAD COMMUNITY PARTICIPATION IS A CLEAR AND EFFECTIVE MEANS OF INSURING THAT THE CDC STAYS ABOVE BOARD AND "CLEAN."

THE LAST POINT REPRESENTS ANOTHER SIGNIFICANT DIFFERENCE BETWEEN THIS PROGRAM AND OTHERS. CDCS OPERATE ON A SOMETIMES MASSIVE SCALE, OPERATING MULTI-MILLION DOLLAR PROJECTS OF MANY TYPES SIMULTANEOUSLY. THE UTILIZATION OF ALL THREE TYPES OF DEVELOPMENT PROJECTS ALLOWS ECONOMIES OF SCALE, AS WELL AS REMOVAL OF DUPLICATION. INDIVIDUAL PROJECTS CAN BE MORE EFFECTIVE IF OPERATED IN CONJUNCTION WITH OTHERS. FOR EXAMPLE, EMPLOYMENT PROJECTS SUCH AS CETA TRAINING PROGRAMS CAN BE MORE EFFECTIVE IF TRAINING IS PROVIDED BY PRIVATE SUBSIDIARY COMPANIES OF THE CDC, WHILE GIVING THE PRIVATE COMPANIES OPPORTUNITIES FOR LESS COSTLY LABOR. THE CETA TRAINEES ALSO RECEIVE OPPORTUNITIES FOR EVENTUAL EMPLOYMENT BY THE COMPANY WHICH TRAINED THEM. ONE OF THE LARGEST CETA PROGRAMS IN THE

NATION, OPERATED BY A CDC IN LOS ANGELES, CLAIMS A PHENOMENAL 95% PRIVATE PLACEMENT RATE FOR ITS CETA TRAINEES USING THIS METHOD.

THE COMMUNITY SERVICES ADMINISTRATION OPERATES ONE OF THE CENTRAL FEDERAL PROGRAMS FOR CDCS. WHILE THE PROGRAM FUNDS ONLY ABOUT 40 OF THE ESTIMATED 650 CDCS IN AMERICA, IT IS A SUBSTANTIAL SOURCE OF ADMINISTRATIVE AND VENTURE INVESTMENT CAPITAL FOR THESE CDCS. CSA HAS BEEN CRITICIZED, OFTEN UNFAIRLY, IN RECENT YEARS FOR ITS MANAGEMENT OF THIS PROGRAM. WHILE SOME OF THESE COMPLAINTS ARE JUSTIFIED, THE PROGRAM ITSELF HAS MANY TIMES SHOWN ITSELF WORTHY OF EXPANSION AND RECOGNITION. OTHER FEDERAL AGENCIES, STATES, LOCAL GOVERNMENTS, AND NOW EVEN FINANCIAL INSTITUTIONS ARE RECOGNIZING THE VALUE OF CDCS, AND OPENING THEIR DOORS TO THEM. BANKS, ASSISTED BY THE COMPTROLLER OF THE CURRENCY, ARE EVEN ESTABLISHING THEIR OWN CDCS. WE BELIEVE THAT THE CSA PROGRAM SHOULD BE SUPPORTED FULLY IN ADDITION TO THESE OTHER NEWER PROGRAMS.

ON BEHALF OF THE NCCED, I WOULD LIKE TO REQUEST THE COMMITTEE TO INCLUDE APPROPRIATIONS OF $66.6 MILLION FOR FISCAL YEAR 1930 FOR THE COMMUNITY ECONOMIC DEVELOPMENT PROGRAM IN CSA, AUTHORIZED BY TITLE VII OF THE ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED.

THE FUNDS WOULD PROVIDE:

$59.6 MILLION FOR PART A, FOR ADMINISTRATIVE AND PROGRAM COSTS FOR CDCS, INCLUDING $39.9 MILLION FOR THE COMPETITIVE VENTURE CAPITAL FUND, A UNIQUE INNOVATION OF THE PRESENT CSA/OED MANAGEMENT WHICH HAS BEEN HIGHLY PRAISED BY THE CARTER ADMINISTRATION;

$2 MILLION FOR PART B, SPECIAL RURAL PROGRAMS, WHICH HAS FOSTERED MANY EXPLORATIONS OF ALTERNATIVE MEANS OF INSURING ECONOMIC DEVELOPMENT IN RURAL AREAS;

$2 MILLION FOR TECHNICAL ASSISTANCE, THE LACK OF WHICH WAS LISTED BY THE HOUSE GOVERNMENT OPERATIONS COMMITTEE AS A CAUSE OF MANY PAST PROBLEMS IN THE PROGRAM; AND

$3 MILLION FOR EVALUATION AND RESEARCH, TO SEEK OUT AND TEST PROGRAM CONCEPTS CAPABLE OF TRANSFERRING THE KNOWLEDGE AND TECHNIQUES GAINED FROM THIS PROGRAM TO NEEDY AREAS OF THE NATION.

THIS FIGURE OF $66.6 MILLION IS WELL WITHIN THE $70 MILLION FIGURE SUGGESTED BY SENATORS MCCLURE, NELSON AND JAVITS AND AUTHORIZED IN THE

OCTOBER 1978 AMENDMENTS TO THE ECONOMIC OPPORTUNITY ACT OF 1964. IT IS ALSO SUBSTANTIALLY LESS THAN A NOVEMBER 1978 SURVEY OF TITLE VII CDCS BY NCCED INDICATES THAT CDCS NEED AND CAN UTILIZE EFFECTIVELY. THE FIGURE IS EQUAL TO THAT PROPOSED BY THE COMMUNITY SERVICES ADMINISTRATION TO THE OFFICE OF MANAGEMENT AND BUDGET EARLIER THIS YEAR.

IN KEEPING WITH THE ADMINISTRATION'S RECENT EMPHASIS, THIS REQUEST IS FAR LESS THAN WE FEEL THE PROGRAM DESERVES TO RECEIVE. THE FUNDS WOULD BE "TARGETED" IN SUCH A WAY AS TO MAKE THE BEST USE OF THE LIMITED FUNDS FOR THOSE ECONOMICALLY DEVASTATED COMMUNITIES THAT NEED THE ASSISTANCE MOST. A DISTRIBUTION OF FUNDS IN SUCH AMOUNTS WOULD INSURE THAT THOSE CDCS WHICH ARE MOST ABLE TO USE THE FUNDS EFFECTIVELY WOULD RECEIVE SUFFICIENT RESOURCES TO ATTACK THE POVERTY CYCLE IN THEIR COMMUNITIES, WHILE LESS DEVELOPED CDCS WOULD HAVE AN OPPORTUNITY TO PRESENT THEIR BEST PROJECTS TO BE JUDGED ON THEIR MERITS. IN ADDITION, THIS DISTRIBUTION WOULD REVERSE A TWO-YEAR TREND IN WHICH CONSULTANTS RECEIVED MORE FUNDS, AND CDCS LESS, IN PERCENTAGES OF FUNDING, THAN IN SEVERAL PRIOR YEARS OF THE PROGRAM. THE ADMINISTRATION ADVOCATES SUCH A DISTRIBUTION AND INCREASE IN FUNDS TO CDCS, ALTHOUGH NOT IN THE SAME AMOUNTS.

LAST YEAR, WITH FUNDING THROUGH A CONTINUING RESOLUTION OF $48.2 MILLION, THE COMPETITIVE VENTURE CAPITAL FUND WAS ONLY $16.4 MILLION, AND ALLOWED ONLY 13 GRANTS. DOZENS OF OTHER PROPOSALS FOR PROFIT-MAKING ECONOMIC DEVELOPMENT ENTERPRISES WENT UNANSWERED BECAUSE THE FUND WAS NOT LARGE ENOUGH. THE CARTER ADMINISTRATION, RECOGNIZING THE INADEQUACY OF THE FUND, PROPOSED AN INCREASE OF $5 MILLION IN FY '80 FOR THE FUND. WE BELIEVE THAT THIS SMALL AMOUNT IS INADEQUATE FOR THE PURPOSES DESCRIBED. A MORE SATISFACTORY INCREASE WOULD BE ABOUT $23.5 MILLION, RAISING THE AMOUNT AVAILABLE TO $39.9 MILLION.

A RECENT NCCED SURVEY OF TITLE VII CDCS INDICATED A GENERAL BELIEF THAT A MINIMUM FUNDING LEVEL FOR THE PROGRAM WAS SLIGHTLY OVER $120 MILLION (BASED ON BOTH ADMINISTRATIVE AND VENTURE CAPITAL BUDGETS). THE SURVEYED CDCS DEMONSTRATED AN OPTIMAL CAPACITY FOR UTILIZING UP TO $385 MILLION. IN LIGHT OF THE NECESSITY FOR SOME SACRIFICES IN AN "AUSTERE" YEAR AND IN LIGHT OF THE APPARENT DESIRE FOR "COMPETITION" BETWEEN CDCS WHICH THE CARTER ADMINISTRATION AND CSA HAVE SHOWN, WE ARE NOT REQUESTING EVEN THE MINIMUM LEVEL VOICED BY THE SURVEY. WE ARE INSTEAD

REQUESTING THAT THE VENTURE CAPITAL FUND BE INCREASED TO JUST UNDER $40 MILLION, ROUGHLY HALF OF THE SURVEY'S CONCLUSION.

THE ACTUAL COSTS TO THE FEDERAL GOVERNMENT OF PROVIDING A $66.6 MILLION FUNDING LEVEL TO CDCS ARE MUCH LESS THAN IN OTHER ECONOMIC REVITALIZATION PROGRAMS. CDCS GENERATE PRIVATE SECTOR BUSINESSES AND INDUSTRIES, PROVIDING JOBS, PROFITS, AND TAXES. THE PROVISION OF JOBS AND INCREASED CASH FLOW FROM PAYROLLS PROBABLY REDUCES THE UNEMPLOYMENT COMPENSATION, AND RELATED TRANSFER PAYMENT BURDEN TO GOVERNMENT. TAXES PAID BY EMPLOYEES AND SUBSIDIARIES OFTEN REACH SUBSTANTIAL PORTIONS OF THE AMOUNT INVESTED BY THE FEDERAL GOVERNMENT. ALTHOUGH NO DEFINITIVE STUDY HAS QUANTIFIED THE AMOUNTS RETURNED TO GOVERNMENT BY ALL CDCS, SOME CDCS HAVE PROVIDED THEIR OWN FIGURES. FOR EXAMPLE, A RURAL KENTUCKY CDC'S MANUFACTURING AND SERVICE SUBSIDIARIES PAID $876,000 IN CORPORATE TAXES AND EMPLOYED 339 PEOPLE IN 1977, AFTER THE FIRST YEAR OF A TWO-YEAR COMMUNITY SERVICES ADMINISTRATION GRANT OF $3.9 MILLION. CLEARLY, A SIGNIFICANT SHARE OF THE FUNDS INVESTED IN CDCS BY THE FEDERAL GOVERNMENT CAN BE RECOUPED. STATE AND LOCAL GOVERNMENTS CAN ALSO RECYCLE SUCH FUNDS THROUGH INCREASED PROPERTY AND SALES TAXES.

THE COMMUNITY SERVICES ADMINISTRATION ESTIMATES THAT FOR EACH DOLLAR IT PROVIDES TO ITS TITLE VII CDCS, THE CDCS FIND AN ADDITIONAL $1.50 OF OUTSIDE MATCHING CAPITAL. CSA ALSO ESTIMATES THAT FOR EACH $1 MILLION IT INVESTS IN CDCS, THE CDCS PROVIDE 217 JOBS, FOR A COST PER JOB OF ONLY $4600, MUCH BETTER THAN MOST EMPLOYMENT PROGRAMS.

FOR MANY YEARS THE SENATE HAS STRONGLY SUPPORTED THE TITLE VII COMMUNITY ECONOMIC DEVELOPMENT PROGRAM. LAST OCTOBER, THE PROGRAM WAS REAUTHORIZED WITH EXPANSIONS INCLUDING DIRECTIVES TO OTHER FEDERAL AGENCIES FOR COOPERATION, AND THE ESTABLISHMENT OF A NATIONAL ADVISORY COMMUNITY INVESTMENT BOARD TO BE APPOINTED BY PRESIDENT CARTER.

THE FUNDING HISTORY OF THIS PROGRAM HAS REFLECTED THAT SENATE SUPPORT. ALL FIGURES REPRESENT MILLIONS OF DOLLARS

FY	74	75	76	77	78	79
	$35.6	$46.4	$52.9*	$47.6	$48.2	$48.2

* INCLUDES A SPECIAL PROJECT

IN FISCAL YEAR 1979, THE PROGRAM, LIKE ALL OF THE COMMUNITY SERVICES ADMINISTRATION, IS OPERATING UNDER A CONTINUING RESOLUTION AT THE SAME LEVEL AS IN FY '78.

THE CARTER ADMINISTRATION HAS OFFERED A FUNDING REQUEST FOR THIS PROGRAM OF $44.5 MILLION. WE FEEL THAT THIS LEVEL IS INADEQUATE FOR SEVERAL REASONS, INCLUDING:

FIRST, THE LEVEL REQUESTED DOES NOT ALLOW ANY NEW CDCS TO BE ESTABLISHED. THE CSA RECEIVED SIXTY APPLICATIONS FOR ASSISTANCE AS "PLANNING GRANTS" IN FY '79, BUT DID NOT HAVE THE BUDGET TO FUND ANY. WITHOUT THESE FUNDS, NEW CDCS ARE RESTRICTED VIRTUALLY FOREVER TO FUNDING FROM OUTSIDE THE TITLE VII PROGRAM, SINCE CSA DOES NOT ALLOW "NON-TITLE VII" CDCS TO RECEIVE FUNDS WITHOUT GOING THROUGH THE PLANNING GRANT STAGE. THUS, THE NUMBER OF CDCS ASSISTED THROUGH THIS PROGRAM WILL NOT INCREASE, AND THE PROGRAM WILL REMAIN A "DEMONSTRATION PROGRAM" FOR MANY MORE YEARS, INSTEAD OF MEETING THE NEEDS OF THE MANY OTHER NEEDY COMMUNITIES WHICH ARE FULLY CAPABLE OF MAKING SUCCESSFUL CDCS;

SECOND, THE LEVEL REQUESTED SEVERELY HAMPERS THE RESEARCH AND DEMONSTRATION PROGRAM WHICH FUND GROUPS SUCH AS THE CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT AND THE NATIONAL TRAINING INSTITUTE FOR CED TO ASSIST MANY COMMUNITY ORGANIZATIONS TO CONDUCT BUSINESS-ORIENTED ECONOMIC DEVELOPMENT;

THIRD, THE LEVEL REQUESTED DOES NOT ALLOW EXISTING CDCS TO BE REFUNDED AT CURRENT SERVICES LEVELS. COMBINED WITH THE EXCLUSION OF NEW CDCS FROM THE PROGRAM, SUCH A LEVEL WILL MEAN A GRADUAL STARVATION OF, OR ELIMINATION OF CDCS FROM THE PROGRAM. EVEN DISCOUNTING INFLATION INCREASES IN BUDGETS, THIS LEVEL REPRESENTS LESS THAN THE $21 MILLION REFUNDING LEVEL REQUIRED BY THE CDCS DUE FOR REAUTHORIZATION UNDER TITLE VII IN FY '80. WHILE THIS MAY BE AN "AUSTERE" BUDGET, WE DO NOT FEEL THAT IT WAS MEANT AS A MEANS TO GRADUALLY ELIMINATE CDCS FROM THIS PROGRAM; AND

FOURTH, AS CITED BEFORE, THIS LEVEL DOES NOT PROVIDE SUFFICIENT FUNDS TO THE COMPETITIVE INVESTMENT FUND TO ALLOW THE FULL IMPLEMENTATION OF THAT NEW MECHANISM.

THEREFORE, WE ARE AGAIN REQUESTING THIS COMMITTEE TO PROVIDE TO THE COMMUNITY ECONOMIC DEVELOPMENT PROGRAM OF THE COMMUNITY SERVICES ADMINISTRATION A LEVEL OF FUNDING FOR FY 1980 OF NOT LESS THAN $66,600,000.

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE FOR THIS OPPORTUNITY TO PRESENT OUR VIEWS. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

Statement of Lt. Gov. Thomas P. O'Neill III, State of Massachusetts

Mr. Chairman, Members of the Subcommittee, I welcome this opportunity to present to you the concerns of the Coalition of Northeastern Governors about the CETA program in fiscal year 1980.

As you are aware, the Administration's request for fiscal 1980 CETA funding is based on the questionable economic assumptions of a projected unemployment rate of 6.2 percent and an inflation rate of 6.7 percent versus the 6.7 and 7.6 percent unemployment and inflation rates predicted by the Congressional Budget Office. We in the Northeast are therefore concerned that the proposed CETA cutbacks will result in a very significant increase in the numbers of unemployed persons in our region. Such an increase in the ranks of the unemployed will place an enormously increased burden on the welfare rolls, unemployment insurance rolls, the SSI program and other public assistance programs of the older industrialized urban areas which can least afford this burden.

To give you an idea of the impact that the larger Northeastern states expect to feel from the proposed CETA cutbacks, the State of New Jersey Department of Labor and Industry expects a loss of at least 13,000 Title VI jobs and 3,000 Title II jobs in that state prior to the factoring in of inflation. It also predicts that the capacity of the New Jersey State Employment Service will be overloaded and that all public assistance programs in that state will be strained. Preliminary figures show that New York, Massachusetts, Connecticut, Pennsylvania, and Rhode Island will all experience cutbacks in the number of public service employment jobs proportionate to those that New Jersey expects. When training costs and inflation are factored in the number of jobs lost can be expected to increase 20 percent.

The Administration's argument that the new Title VII program will tend to offset losses in Title VI job slots is doubtful since Title VII, if passed, will not get underway until no earlier than the second half of FY 1980, well after the full effects of the Title VI and Title II cutbacks have begun to be felt. By that time we are likely to be in the midst of a full-fledged recession that will have been aggravated by the increased unemployment caused by poorly timed CETA cutbacks. The problem with the Administration's assumption that a much reduced Title VI can be quickly reactivated in the event of a recession is that as a result of last year's thorough reorganization of CETA, the management of the program at the prime sponsor and local levels has experienced a tremendous amount of turmoil and uncertainty. If Title VI is cut severely and then pumped up again within even a short period of time, the necessary long-range management planning process that was disrupted at the end of Fiscal 1978 and the beginning of fiscal 1979 will take several more months to fully recover.

Additionally, the shift in emphasis from Title VI to Title IID harms the Northeast relative to other areas because the formula for allocation of Title IID money puts a 25 percent weight on the degree of poverty in a state, while the Title VI formula puts a 12½ percent weight on this factor.

Since the data used are not adjusted for regional costs of living, the Northeast, with its much higher cost of living is unfairly penalized in the final allocations.

Some of the criticisms of CETA in its present form are that state and local governments substitute CETA workers for regular employees and that these CETA jobs often do not go to those who need them the most. It is alleged that CETA is a form of revenue sharing.

This criticism is fallacious. Title VI has been redesigned to be countercyclical but substitution of CETA workers for regular government employees is no longer a problem in new hires due to the implementation of much stricter eligibility requirements. In Massachusetts, for example, over 40 percent of the public service employment jobs in the Balance of State prime sponsor, and a similar percentage in many of our State's municipal prime sponsors, are located in non-profit organizations. Of the projects undertaken by state and local governments in the Balance of State area, over 61 percent involve activities not normally funded by municipal governments in such fields as housing and neighborhood improvement, parks and recreation and creative arts. What substitution does exist is there because Title VI was originally designed as an emergency measure in a time of recession to give jobs to those who were unemployed 30 days or more. It was understood that this was primarily for public employees. This pool of regular public employees has declined drastically in the last two years. This residual degree of substitution is symptomatic of a much larger problem which Congress and the Administration have recognized; the declining fiscal base of cities and towns due to the inflation and unemployment which have characterized recent years. Congressional action to alleviate this crisis would go a long way toward easing pressures for substitution in CETA. It should be noted that Title VI is targeted on those who earn the lowest wages, have the lowest skill levels, and those who are the first to be laid off during a recessionary period. Our experience in Massachusetts has shown that the strict income limitations for eligibility have resulted in 25 percent of CETA public service employment slots being filled by former welfare recipients and 24 percent by former unemployment insurance claimants. These figures are from mid-1978 and we believe these percentages to be even higher now due to the implementation of the stricter eligibility requirements.

Perhaps the single major criticism of CETA this year centers on the issue of excess carryover, particularly of Title II moneys. It is quite evident that this excess carryover and the resulting decline in the number of public service employment slots that have been filled is a result of the almost total revision of the basic CETA law and the uncertainties caused by the delay in the final enactment of CETA. In late November of 1978 it became necessary for all prime sponsors to drastically redesign their jobs programs and they could not absorb new participants until these changes were made. We in the Northeast find that the average annual wage limit has added to the burdens of trying to absorb new participants because in many localities the established CETA wage level is well below the level of the lowest-paid private sector jobs. Restrictions that have been imposed by the Department of Labor on the use of Title IID money for training make Title II money difficult to target to those structurally unemployed persons who are the most in need of job training. Consequently, we urge that these restrictions be lifted.

Finally, in considering how to dispose of the excess carryover in CETA we urge Congress to redirect this money to those areas which are experiencing the highest unemployment rates. It should be kept in mind that the net cost of public service employment is 50 percent or less of gross outlays because CETA jobs result in a reduction of outlays for food stamps, general relief, unemployment compensation, and other public assistance programs and lead to increases in taxable income. State and local supplementation reduces costs further while increasing savings and revenues.

The members of the Coalition of Northeastern Governors are convinced that CETA has been increasingly effective in helping to bring formerly unemployable individuals into the labor force and has contributed significantly to the Nation's recovery from the 1974-75 recession. It has also kept down the costs of public assistance and unemployment insurance programs even as its participants performed valuable services for thousands of communities. We therefore urge the Members of the Subcommittee to recommend that this program continue to receive full funding at at least the 1979 level.

STATEMENT OF DAVID RAPHAEL, ACTING EXECUTIVE DIRECTOR, RURAL AMERICA

MR. CHAIRMAN, THANK YOU FOR INVITING US TO PRESENT THIS STATEMENT. MY NAME IS DAVID RAPHAEL AND I AM ACTING EXECUTIVE DIRECTOR OF RURAL AMERICA A NATIONAL, NON-PROFIT MEMBERSHIP ORGANIZATION CONCERNED WITH THE QUALITY OF LIFE IN SMALL TOWN AND RURAL AREAS. WE ARE INVOLVED IN RESEARCH, EDUCATION AND THE PROVISION OF TECHNICAL ASSISTANCE TO PEOPLE IN NON-METROPOLITAN AREAS.

AS OUR PRIMARY INTEREST AND CONCERN WITH CETA AND THE DEPARTMENT OF LABOR IS WITH SECTION 303 AND THE FARMWORKER HOUSING PROGRAM, I WILL NOT COMMENT ON OTHER SECTIONS OF CETA

FOR OVER A DECADE, RURAL AMERICA, FORMERLY RURAL HOUSING ALLIANCE, HAS WORKED WITH THE FEDERAL GOVERNMENT AND THE CONGRESS ON RURAL HOUSING PROBLEMS. OR PARTICULAR INTEREST TO US HAS BEEN

THE HOUSING PROBLEM OF MIGRANT AND SEASONAL FARMWORKERS; THEY ARE AMONG THE WORST HOUSED OF ALL RURAL PEOPLE.

TITLE III OF THE ECONOMIC OPPORTUNITY ACT RECOGNIZED THE SPECIAL PROBLEMS CONFRONTING FARMWORKERS IN ALL FACTS OF LIFE. IT ESTABLISHED A BROAD RANGE OF SUPPORTIVE SERVICES FOR FARMWORKERS, INCLUDING HOUSING. IN 1973 THIS AUTHORITY WAS TRANSFERRED, INTACT, TO THE DEPARTMENT OF LABOR.

SINCE THAT TIME RURAL AMERICA HAS WORKED CLOSELY WITH DOL TO IMPROVE THE HOUSING CONDITIONS OF FARMWORKERS AND THEIR FAMILIES. THIS EFFORT, NOW FUNDED FOR $2.5 MILLION, ENCOMPASSES OVER THIRTY FIVE AGENCIES IN MORE THAN 20 STATES. AT PRESENT OVER 2,000 UNITS OF HOUSING ARE IN SOME STAGE OF DEVELOPMENT. WE ESTIMATE THAT OVER $70 MILLION IN FEDERAL MORTGAGE FUNDS HAVE BEEN SECURED ON BEHALF OF FARMWORKERS.

WE HAVE DEVELOPED THROUGH THE WORK OF OUR WASHINGTON BASED STAFF AND OUR LOCAL AGENCY NETWORK A UNIQUE PARTNERSHIP BETWEEN THREE FEDERAL AGENCIES. DOL PROVIDES THE NECESSARY SEED MONEY, FMHA PROVIDES THE LONG TERM MORTGAGE MONEY, AND HUD PROVIDES RENTAL ASSISTANCE SO THAT LOW-INCOME FARMWORKERS CAN BE SERVED. IN A TIME WHEN GREAT EMPHASIS IS PUT ON MAKING GOVERNMENT WORK BETTER THROUGH INTER-AGENCY AGREEMENTS, I AM PLEASED TO REPORT THAT WITH THE HELP OF RURAL AMERICA AND LOCAL OPERATING AGENCIES, DOL, HUD AND FMHA HAVE BEEN WORKING COOPERATIVELY FOR NEARLY 10 YEARS TO PROVIDE HOUSING FOR FARMWORKERS.

WE ARE, HOWEVER, FACED WITH A VERY SERIOUS SITUATION. WE HAVE BEEN INFORMED BY SECRETARY OF LABOR MARSHALL THAT THE DEPARTMENT NO LONGER FEELS RESPONSIBLE FOR MAINTAINING THIS FARMWORKER HOUSING PROGRAM. WE FIND THIS OF GREAT CONCERN ON TWO FRONTS. NATURALLY, WE ARE ANXIOUS TO CONTINUE OUR OWN PROGRAM; WE FEEL WE PERFORM A VALUABLE AND UNIQUE FUNCTION ON BEHALF OF RURAL PEOPLE AND FARMWORKERS.

MORE IMPORTANTLY, WE FEEL THAT THE DEPARTMENT HAS CLEAR STATUTORY RESPONSIBILITY TO CONTINUE A NATIONAL FARMWORKER

HOUSING PROGRAM. AS WE STATED EARLIER THAT AUTHORITY WAS TRANSFERRED TO DOL IN 1973. THE DEPARTMENT ASSURED CONGRESS AT THE TIME OF THE TRANSFER, THAT THEY INTENDED TO PROVIDE NECESSARY SUPPORT SERVICES [illegible] FARMWORKERS; HOUSING WAS CITED AS ONE OF THOSE SERVICES.

IN ADDITION, AS PART OF IT'S JUSTIFICATION FOR IT'S FY '79 BUDGET, DOL STATED THAT IT PLANNED TO CONTINUE THE SELF-HELP HOUSING PROGRAM FOR FARMWORKERS AS AN INTEGRAL PART OF IT'S SUPPORTIVE SERVICES.

WE CONTINUE TO NEGOTIATE WITH THE DEPARTMENT IN HOPES OF SECURING A JOINT AGENCY FUNDING AGREEMENT FOR OUR PROGRAM. WE CONTINUE TO INSIST, HOWEVER, THAT THE DEPARTMENT HAS A STATUTORY RESPONSIBILITY TO CONTINUE THE FARMWORKER HOUSING PROGRAM. WE HOPE THAT THE COMMITTEE WILL EXPLORE WAYS TO INSURE THE CONTINUATION OF THIS VITAL PROGRAM.

FOR ADDITIONAL INFORMATION ABOUT THIS SITUATION, WE ARE ATTACHING A BRIEF BACKGROUND PAPER.

WE APPRECIATE THE OPPORTUNITY TO SUBMIT THESE REMARKS, AND HOPE THAT THIS MATERIAL WILL BE INFORMATIVE.

FARMWORKER HOUSING AND THE DEPARTMENT OF LABOR

(A Background Paper Prepared by RURAL AMERICA)

ORIGINS OF THE FARMWORKER HOUSING PROGRAM

Title III-B of the Economic Opportunity Act of 1964 charged the new Office of Economic Opportunity with developing, among other things, a program "to meet the immediate needs of migrant and seasonal farmworkers and their families," specifically including their need for "improved housing and sanitation." Efforts in response to this mandate soon led to the conclusion that one essential need was for an institutional structure, a housing delivery system that would serve two purposes: provide access (through local farmworker and farmworker-advocate agencies) to those existing housing programs which had not previously reached farmworkers in any substantial way, and to test in the process the legislative and administrative shortcomings of those same programs. (This recognition was parallel to the broader recognition that a key element in the rural housing problem in general was this institutional gap — the lack of an effective housing delivery system in rural areas.)

The OEO program began in 1967 as a series of local agency grants and a separate program of providing, thru the Rural Housing Alliance forerunner to RURAL AMERICA, training and technical assistance to those local groups. In 1970 it was consolidated into a single coordinated grant administered through the Rural Housing Alliance. Under this arrangement, RHA served as a conduit providing operational funds to local delegate agencies while at the same time providing them with back-up training and technical assistance, monitoring their activities on behalf of OEO, and providing for both OEO and the network of delegate agencies a program of policy-relevant research and of advocacy on behalf of improved farmworker housing programs.

The farmworker housing support program has evolved in another way as well. Beginning with primary emphasis on the self-help housing approach -- which was then the only Federal program with any real capacity to serve low-income farmworkers; certainly the only one which offered them the opportunity for homeownership — the DOL program has developed into a network of local agencies which provide access to better housing through a broad range of programs: Farm labor housing financed by Farmers Home Administration, other rural rental housing financed by the same agency with and without supplemental subsidies through the Sec. 8 program of the Department of Housing and Urban Development, weatherization programs administered by both the Community Services Administration and the Department of Energy, other rehabilitation utilizing Comprehensive Employment and Training Act manpower, and (in rare instances) utilizing HUD's community development block grant funds. The key point is that access to these various programs is dependent on the role of the local farmworker housing agencies, and their administrative operations are in turn dependent on the unique program administered by DOL through RURAL AMERICA.

In 1973, responsibility for the farmworker housing program was administratively transferred from the Office of Economic Opportunity to the Department of Labor, (as a part of the transfer of other OEO farmworker support programs and the $40 million in funding which Congress had provided for them that year). Subsequently, the III-B mandate was renewed in the legislation changing OEO into the Community Services Administration and a parallel authority was written into the Comprehensive Employment and Training Act, which specified support for

> "...services necessary to improve the
> well-being of migrants and other
> seasonally employed farmworkers and
> their families..."

It was this authority under which funding of the housing support program was provided in years following the transfer year. DOL not only continued the housing support network which it inherited, but increased its level of support and regularly cited its activities as evidence of the way in which DOL was carrying out the legislative mandate for supportive service. The Department's presentation to the Appropriations Committees last year, for example, singled out for mention the self-help housing program as an example of the way in which it was providing "a variety of supportive services."

PROGRAM ACCOMPLISHMENTS

In addition to establishing the foundations for an effective farmworker housing delivery system, the current DOL housing program has had a significant impact on improving the housing conditions of migrant and seasonal farmworkers. Since its inception, critical financial and technical support has been provided to hundreds of local community development organizations in farmworker areas — support which otherwise would have been nonexistent. The direct result of this effort has been the construction of approximately 7,000 units of self-help houses for farmworker and other low-income rural families, and the development and sponsorship of nearly 10,000 rural rental and farm labor housing units. The indirect benefits, both in terms of federal housing funds generated in poorer rural communities, and the knowledge and training received by thousands of other participants in RURAL AMERICA's training and public education programs is more difficult to measure but equally substantial.

This year, for example, it is estimated the RURAL AMERICA's delegate agencies will generate over $67 million in loans and grants from state and federal sources for the construction and improvement of farmworker housing in their communities. This is expected to generate nearly 3,500 jobs in depressed rural communities, the result of both employment directly with the sponsoring organizations as well as jobs created through local construction activity. Some 2,000 housing units of this year's program were completed or under construction by mid-February.

PRESENT STATUS

Currently, RURAL AMERICA receives $2.5 million in DOL funding to carry out this national technical assistance and local grants program.[1] The funds are used to support the work of 36 grantees in 23 states, plus provide the necessary technical assistance, training, and administrative support. Unless refunded by DOL this year, all activities will be terminated when the existing grants expire next June 30th.

Now, Secretary of Labor Marshall has advised RURAL AMERICA that he no longer plans to fund this general housing support program for farmworkers. DOL does not justify the termination of the program on the ground that it lacks merit. In fact, it has made no systematic evaluation of the program's advantages and disadvantages at any time during the years it has had its sponsorship. All that Secretary Marshall says in his notification letter is that

> "We have now decided that it would be more appropriate for Rural America to seek funding from the Federal agencies that have direct concern for upgrading the housing that is available to low-income people."

This ignores the fact that there is at the present time no other place in the Federal government in which the combination of legislative authority and adequate funding for the current program exists. While Farmers Home Administration and the Department of Housing and Urban Development have programs to finance the housing, those programs are largely dependent on the activities of local development agencies and neither FmHA nor HUD has more than token funds to support those essential local agencies.

Moreover, the action being taken belatedly and unilaterally rejects DOL's responsibility for such a program, although annual testimony presented to the Congress by the Department has consistently accepted that responsibility. And, the Marshall action would throw away a unique and critically important element in the delivery of better housing to farmworkers -- a network that has evolved and gained experience over the past dozen years.

In order to minimize the disruption to this successful program, we are making the following recommendations:

1. That DOL announce its intention to continue financial support for all farmworker housing programs of demonstrated effectiveness;
2. That the existing national farmworker housing program administered by DOL through RURAL AMERICA be refunded for one year on an interim basis;
3. That DOL undertake a review of the need for and effectiveness of its current farmworker housing activities; and
4. That DOL provide the leadership in exploring any alternative arrangements for the continuation of the program beyond the interim period.

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[1] In a separately funded project under the President's Economic Stimulus Program, RURAL AMERICA administers a national training and rehabilitation initiative which compliments the existing farmworker housing support program.

STATEMENT OF MURL F. SMITH, MAYOR, PROSSER, WASH.

The City of Prosser has been involved with the Summer Program for Employment of Disadvantaged Youth (SPEDY) since its inception. We feel that this program is a definite community service, as well as a service to the youth involved. This program gives disadvantaged youths who want to work an opportunity to do so. It instills pride in accomplishment and teaches responsibility. Youth who want to work should have that opportunity.

The youth who have been involved with our particular agency are employed in clerical, maintenance, parks and recreation, and custodial positions. The SPEDY "kids" work hard and it seems there is always work to be done. The youths report to the same worksites as do our full-time regular employees. These worksites are adequate for our regular employees as well as the SPEDY employees.

Past SPEDY "kids" keep in touch and keep us informed of the course their lives are taking, be it furthering their education, or whatever they choose to do in life.

In summary, we feel that this program is beneficial to our agency, the community, and the youth involved. We urge you to support this program and it's obvious benefits.

STATEMENT OF JAMES ALLEN, ASSOCIATION OF FARMWORKER ORGANIZATIONS

WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO AMEND OUR ATTACHED TESTIMONY WHICH WAS PRESENTED BEFORE YOUR COMMITTEE AND FOR THE RECORD ON 21, MARCH 1979, BY ADDING THE FOLLOWING:

"WE, THE NATIONAL ASSOCIATION OF FARMWORKER ORGANIZATIONS, AN ASSOCIATION OF FARMWORKER GOVERNED, COMMUNITY BASED ORGANIZATIONS FROM ACROSS THE COUNTRY, ENDORSE THE CONCEPT OF A NATIONAL OFFICE ADMINISTERING COLLECTIVELY ALL FUNDS PERTAINING TO FARM WORKERS, AT AN ADEQUATE LEVEL, BUT NOT LESS THAN THE CURRENT AMOUNT OF FUNDS EARMARKED FOR FARM WORKERS."

WE URGE YOUR CONSIDERATION OF THIS REQUEST.

IN ADDITION, WE WOULD LIKE TO ADD THE FOLLOWING COMMENTS TO OUR TESTIMONY REGARDING THE REDUCTION IN CFNP FUNDS PROPOSED BY THE ADMINISTRATION (SEE ATTACHED).

CSA Appropriations Testimony

(Community Food and Nutrition Program)

Evidence of a high incidence of poor physical and mental health among the Farmworker population due to malnutrition has been documented. Poor health in turn also prevents migrant children from doing well in school. Their poor educational achievements is one more factor that prevents some Farmworkers from breaking out of a life of poverty and misery.

Farmworker organizations through many services have attacked these problems since they began in the 1960's . They found that Farmworkers had difficulty gaining access to existing Federal Food Programs.

Labor camps that house Farmworkers usually exist far from food stamp and other food program certification and issuance offices. If the Farmworker is lucky enough to get transportation to the proper office, chances are it is closed by the time the family member can get away from his or her work to fill out application forms. If the office is open several other obstacles still exist. USDA's food programs are just beginning to require that materials and staff be available in some areas in the applicants native tongue if the applicant does not speak English. The food stamp program was supposed to begin implementing bilingual requirements on March 1, 1979. However, almost all states chose the option of doing a six month survey on bilingual needs which will mean another season will pass in which non-English speaking Farmworkers will not have translation services. When states do finally begin implementation of that regulation it is certain to be done inconsistently. In a recent meeting USDA officials admitted to Farmworker advocates their expectations that this regulation will be difficult to carry out.

In addition to language differences, Farmworkers often have cultural problems relating to food program officials. And many local program staffs have shown their lack of interest in serving migrants.

If the Farmworker is able to apply and is eligible for food program benefits, chances are he or she will be out of town following the crops by the time benefits can be reaped.

In the case of the Food Stamp program, the government recognized this problems in the Gutierrez vs. Butz decision which among other things said that eligible Farmworkers must be given benefits quickly. The National Association of Farmworker Organizations however documented evidence two years after the decision showing that it was implemented for Farmworkers only occasionally across the country. This is perhaps the biggest problem with Federal Food programs in the area of serving Farmworkers. A national method of serving the migratory population is called for. For those programs like Food Stamp which have a national focus, USDA's difficulty in monitoring the program results in poor local service to Farmworkers.

The Women, Infants, and Children (WIC) food program is state operated and administered. That means that a Farmworker who receives benefits in one state must go off the program in the new state if that state does not have room for new clients as is often the case. The WIC program is even more inaccessable to Farmworkers than is the Food Stamp program.

An important role of Farmworker organizations who receive Community Food and Nutrition Program monies is to improve the availability of these programs to Farmworkers. They educate the Farmworker and the food program staff about each other. They provide data to local USDA offices about the migratory populations. In the summer food program they supply information that USDA uses for documentation of Farmworker eligibility. Both the WIC and Food Stamp program also list Farmworker organizations in their regulations to assist USDA food program staff in serving Farmworkers.

No less an official than Carol Foreman, Deputy Secretary of Agriculture has stated that the new food stamp program will not change the need for other food programs. Her remarks contradicted OMB's suggestion that CFNP should be reduced because new food stamp program regulations would negate its necessity.

We have explained the need here of the CFN Program to provide Farmworkers with greater access to Federal Food Programs. We would be happy to further acquaint the committee with work programs of individual CFN programs that do just that, which time prevents us from including in this testimony.

Another role that the CFN Program plays is to provide seed monies for alternative food programs. There is no other way that many of the food cooperatives, canneries, greenhouses, food buying clubs, etc. that have begun to spring up with CFN funds could have been started. These programs give participants greater value for their food dollars and the chance to provide themselves through their own energies with more of their food needs. There is great promise in this aspect of the program, which Farmworkers have participated in enthusiastically.

Farmworkers due to the nature of their work find themselves in crises too often. Bad weather can erase jobs that a migrant traveled hundreds of miles to take. Away from home without their community supports they find themselves hungry and jobless. While the farmer can apply for disaster relief, the Farmworker must rely on CFNP Emergency Services in order to eat until he or she gets home or gets a new job. It is a service that must be offered until the injustice of the farm labor system is changed in this country.

These and other services of the Community Food and Nutrition Program show its importance to the Farmworker population of this country. We urge the Committee to promote better health and living conditions for America's 5.8 million Farmworkers by recommending that the CFNP program be funded at its 1978 level of $29.5 million plus an increase to allow for inflation. Thank you.

STATEMENT OF THE NATIONAL COLLABORATION FOR YOUTH

The National Collaboration for Youth, a collaboration of national voluntary youth-serving organizations, would like to take this opportunity to comment on recent criticisms and concerns raised about the summer youth employment program funded under the Comprehensive Employment and Training Act (CETA).

These criticisms have received wide coverage by the news media primarily because any hint of misused or abused public dollars makes good press and of course, sells papers. Unfortunately, the positive aspects of the program are completely and purposefully ignored. The overwhelming benefits of the summer youth employment program outweigh the difficulties this program has experienced. Inasmuch as the news media and others are neglecting the positive results of the summer youth employment program, it therefore unfairly magnifies and exaggerates the flaws. The National Collaboration for Youth whose affiliates affect the lives of over 30 million young people and who share a common concern for improving the social and economic welfare of the nation's disadvantaged youth, cannot stand idly by and watch a valuable program be attacked without coming forth to share our hands-on experiences with the program.

The organizations affiliated with the National Collaboration for Youth are multi-service, non-profit agencies which work in a variety of ways to address the vocational, educational, health and family life needs of the nation's youth. Collaboration affiliates have a long history of active participation in summer programs which provide employment and training for youth; they serve as operators of summer programs, as job sites for program participants, as referral agencies for summer programs, as liaisons with the business community, and as providers of important supportive services such as counseling, health and transportation services.

Through this broad-ranging involvement, Collaboration affiliates have had the opportunity to observe first hand the operation of the summer youth employment program and its impact on the young people it serves. When all factors are considered -- the needs of the youth served, the large numbers served, the benefits provided and the cost of the program -- the experience of the Collaboration confirms that the successes and benefits of the program, in terms of the impact on individual youths and the opportunities provided that would otherwise not be available, more than justify the Federal government's expenditure for the program.

Any national comprehensive employment program must include a component which not only addresses the needs of millions of disadvantaged youth during the potential volatile summer months, but also considers the welfare of the communities in which the funds are expended. While recognizing that the summer program has faced problems over the years, the Collaboration is convinced that the program has made and continues to make substantial contributions toward enhancing the employability of young people, assisting communities by providing needed services and improving the economic condition of individual young people and their families.

In most cases, the summer youth employment program comes at a time in a young person's life when the opportunity to have a job and begin to acquire the necessary values and skills are crucial to his or her future employability. To gain access to the world of work and to contribute to society is of great importance and significance to the disadvantaged youth who often faces a hopeless future. The summer youth employment program suggests otherwise; it can provide an experience which assists the adolescent during his or her transition from childhood to adulthood. It suggests that as an individual he or she is important and valued. It suggests that in our country there is a role for him or her and it suggests that the future may be brighter. The Collaboration believes that not funding a summer youth employment program would have serious consequences. The million young people who would otherwise be afforded career counseling, career exploration, and on-the-job training, will find themselves frustrated during the long summer months by mounting economic, social, and psychological pressures to secure gainful employment.

Certainly, the frustration of these young people is difficult to measure; however, behavioral science clearly connotes the importance of positive experiences during formative periods of one's life. The Collaboration believes that for our nation's disadvantaged youth the summer youth employment program can be a positive experience.

The summer job and the income earned are often the difference that enable a youth to stay in school; without them, he or she may be forced to drop out in the hope of supplementing the family's income. Other examples: a participant gains the necessary skills and experience that lead to unsubsidized employment within the sponsoring agency; a youngster, through his participation in the program was found to be suffering from a variety of medical problems and the sponsoring agency successfully obtained treatment for him. Collaboration members can cite thousands of such examples which prove both the manifest and latent objectives of the summer youth employment program.

Not to be overlooked is the fact that the majority of young people makes a substantial contribution to family income through their summer jobs.

The summer youth employment program has faced a number of administrative and operational problems which seem to be inherent in any program of its size and relatively short period of operation. In 1978, the summer program enrolled a record 2.2 million youths at over 150,000 worksites during its 10 weeks of operation. Secretary of Labor Ray Marshall recently noted that, for the summer program, CETA prime sponsors are asked to serve approximately four times the number of youths served in year-round programs in one-fourth the time. Recognition of these problems has prompted the Collaboration for the past several years to express its concerns in various forums - in meetings with Department of Labor officials, in testimony before Congressional committees, and as youth representatives on CETA in advisory and planning councils.

The National Collaboration for Youth has long maintained that sufficient funding must be available to assure adequate ratios of supervisory personnel to program participants, and that program regulations require that careful and extensive supervision be provided for all program participants.

Secondly, regulations should require that prime sponsors provide adequate monitoring of summer program worksites in order to assure that all worksites meet Department of Labor standards and to assure that program enrollees receive meaningful work experience.

A third concern of the Collaboration is that sufficient lead-time prior to the allocation of summer program funds be guaranteed so that CETA prime sponsors and their subgrantees can properly plan and develope programs for the summer. The Collaboration has long urged both Congress and the Department of Labor to allocate funds for the program at the earliest possible date, and considerable progress has been made in the last few years.

Fourth, our experience points up the value of using well-established multi-service agencies to serve as operators of summer employment programs and as worksites. The summer youth employment program is greatly benefitted by the use of youth-serving organizations which have a demonstrated capability in providing a broad range of employment and employment-related services to young people. These agencies can provide important "back-up" or supportive services such as transportation, health care, and legal services as well as job training, vocational exploration and career counseling. Such broad-based multi-service organizations also have the resources and capability to provide better community services through the employment of young people in needed community projects.

The concerns expressed by the National Collaboration for Youth are those shared by many others who are interested in assuring high quality effective employment and training programs which will provide meaningful work experience and real employment and training opportunities for disadvantaged youths, and at the same time, provide economic benefits to poor and low-income families. The income earned by a typical participant in the summer youth employment program equals about one-fifth of the average earned income of families in poverty. Surveys by the National Collaboration for Youth show that the income earned by summer program participants is not used for luxuries or frivolous expenditures, but rather it is an important supplement to the incomes of poor families and often makes the crucial "difference" which enables young people to stay in school or to go on to higher education.

At a time when the summer youth employment program has come under attack by a report of the General Accounting Office (GAO), it is important to note that the Department of Labor has already begun implementing new procedures and regulations designed to correct past weaknesses in the summer program. In a statement released February 21, Secretary of Labor Ray Marshall calls attention to the fact that the Department of Labor, during the past 18 months has made a concerted effort to intensify its monitoring and oversight of the summer program. The Department has developed and is implementing changes in the program which "will improve planning, increase worksite supervision and productivity, expand linkages to year-round programs, and improve work experiences." Marshall notes that the problems identified in the GAO report are the same basic problems recognized by the Labor Department for which the department has already begun to take corrective measures.

Recommendations made by the Department of Labor include:

- Increased monitoring by DOL regional staff of CETA prime sponsors' summer programs. Beginning with the 1978 summer program, a minimum of three visits to each program worksite are to be conducted over the three-month period of operation. New regulations also require that prime sponsors take specific steps to intensify their monitoring of subgrantees and worksites.
- Development of a technical assistance guide for prime sponsors on how to establish and assess program worksites which will provide meaningful work experience for participants.
- Authority by the Department of Labor to withhold, terminate or suspend funding for programs which do not meet DOL standards.
- Enforcement of regulations which provide that subcontracts may be made only with organizations which have demonstrated sufficient capability to conduct summer youth employment programs effectively.

We want to emphasize that well before the GAO report was published members of the National Collaboration for Youth recognized many of the programs' short comings and focused their energies in ameliorating the problems. At the national level, we pressed for the changes now made by DOL. At the local level, unsubsidized action included assignment of adequate supervisory personnel with respect to acceptable supervisor-labor ratios, provision of meaningful experiences, and referral/follow-up to other on-the-job training programs.

The National Collaboration for Youth commends the Department of Labor for undertaking steps to improve the quality and effectiveness of the summer youth employment program. The Collaboration feels confident that the problems and weaknesses in the summer program can be overcome if a sustained, concerted effort at reform is carried out. The Collaboration is looking forward to working with the Congress, the Department of Labor and with CETA prime sponsors to help remedy these problems and to help assure meaningful employment and training opportunities for disadvantaged youth.

STATEMENT OF THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

The AFL-CIO welcomes this opportunity to present some of its concerns about the Administration's fiscal 1980 budget requests for the U.S. Department of Labor.

We express these concerns with a realization that the Administration's $532 billion budget is $12.6 billion less than required simply to maintain the 1979 levels of programs and services.

With unemployment rising later this year, as projected even by the Administration's own optimistic economic forecast, the need for adequate appropriations for people-oriented programs in the Labor Department 1980 budget is all the more essential.

Therefore, we urge specifically a restoration of $1.5 billion for jobs and training under the Comprehensive Employment and Training Act to bring CETA funding at least to the fiscal 1979 level. The Administration's proposed $1.5 billion cut is magnified by increased costs of inflation and would result in a particularly sharp decrease in Title VI public service employment and in the summer youth program.

Title VI countercyclical public service employment jobs slots would be reduced to 200,000 by the end of 1980. Using the Administration's own unemployment estimate, Title VI should provide 440,000 job slots. To cut Title VI so drastically when unemployment remains high or rising can only result in skilled and semi-skilled workers becoming eligible for the structurally unemployed jobs provided under CETA Title II-D. We urge restoration of $1.5 billion to bring CETA Title VI job slots back at least to the fiscal 1979 level. Black unemployment now at 11.9 percent is 3 percentage points higher than it was six years ago. One out of eight minority workers is currently unemployed.

Furthermore, the Administration proposes wiping out 250,000 summer youth job slots under Title IV-C. This would seriously affect opportunities for minority teenagers who have the highest unemployment rates. We urge restoration of $200 million to bring the summer youth program back to the fiscal 1979 level of $740 million which is to provide one million summer youth job slots.

CETA Title III national outreach and skill training programs were to be cut drastically in the Administration's original budget proposal for fiscal 1980. These effective programs include skill training, outreach and on-the-job programs of the AFL-CIO and its affiliates, as well as other special programs sponsored by civil rights and community-based organizations. These programs provide jobs and services to thousands of the nation's disadvantaged.

It is our understanding that the Labor Department is now planning to reprogram some $45 million of Labor Department funds for these Title III national programs to make up for the originally proposed cut. In light of the need for these programs and the impact of inflation increasing costs, we urge that $50 million be restored specifically for these Title III national programs.

Occupational Safety and Health -- We are requesting that the Subcommittee provide for 1,185 positions in excess of the Administations fiscal 1980 proposal for implementing the Occupational Safety and Health Act. There is an urgent need for increases in enforcement personnel to protect the safety and health and the lives of American workers on the job, especially because a number of states are about to drop their state enforcement programs as a result of inability or unwillingness to provide funds necessary to comply with the "as effective as" requirements of OSHA.

Therefore, we urge specifically an increase of $44.3 million over the $179.5 million requested by the Administration for the Labor Department's Occupational Safety and Health Administration.

Labor Statistics -- The Bureau of Labor Statistics collects and publishes information on wages and industrial relations which is used by union and management negotiators as well as by academic researchers and other government agencies. This information is vitally important in collective bargaining. Unfortunately, the Administration's fiscal 1980 budget proposal would cut out a number of important programs in the area of wages and industrial relations.

We urge that $1 million be added to the BLS budget specifically to maintain (1) annual earnings and employment patterns by industry and demographic characteristics, (2) biennial surveys of the level and structure of employee compensation, (3) studies and digests of health and pension plans, (4) chronologies of labor-management relations and changes in wages and benefits in some 35 major industries, and (5) records of collective bargaining agreements covering companies with less than 1,000 workers.

Employment Standards -- Although the Administration's budget provides for additional staff to enforce the workers' compensation activity which includes the Federal Employees Compensation Act, the Longshoremen and Harbor Workers Act and the Federal Mine Safety and Health Act of 1977, we do not feel these increases are adequate for the job which must be done. These programs, which are designed to insure that disabled and injured workers receive compensation and medical benefits, have been long neglected. There is a large backlog of "needs" which must be attended to, especially in the "black lung" area.

International Labor Affairs -- The Bureau of International Labor Affairs (ILAB) research budget of approximately $1 million should be reduced in order to provide funds for other necessary Labor Department activities.

ILAB has contracted many studies on the implications of trade agreements for employment, but none of these studies has provided useful information. All are based on academic, hypothetical, theoretical studies that have little to do with the impact of trade or new trade agreements on industries and labor in communities throughout the U.S.A.

Surveys of employment impact or the employment implications of trade and trade agreements should be performed by those agencies within the Labor Department with knowledge and experience of existing labor and industry conditions.

We strongly urge favorable action by your Subcommittee on these specific appropriations requests from the AFL-CIO. The recommendations we are presenting would maintain essential employment and training funds, maintain and increase safety and health enforcement activities, maintain labor statistics programs essential to understanding what is happening in the U.S. economy, and would cut programs which do not produce useful information.

PROJECTS WITH INDUSTRY

The Projects With Industry program presents a unique and challenging opportunity to bring about the employment of individuals with disabilities into the private, competitive labor market. This successful program is a partnership between the rehabilitation and the business-industry communities to provide training, in the business or industry setting, leading to employment in jobs having career potential and advancement opportunities. Corporations both large and small, as well as organized labor, along with private voluntary agencies and rehabilitation facilities, are providing significant leadership in the development of training programs tied into employment commitments for disabled individuals.

The main thrust of the P.W.I. program is to provide handicapped individuals an equal opportunity to work, to share in, and to contribute towards an improved quality of life for all. The program is demonstrating that handicapped individuals can perform job responsibilities on an equal or in some cases, on a superior basis in the competitive labor market.

The purpose of this section of the Act is to develop and expand the participation in the rehabilitation process of private industry, labor, and the business community. In a rehabilitation program where the end product is employment, it is essential to enlist the cooperation, involvement, and active support of those major placement resources with ultimate responsibility for the hiring of severely handicapped persons. It is vital for the employment of handicapped persons to encourage and facilitate the continued development of a partnership between private industry, rehabilitation facilities and the state federal program.

Therefore, in light of the increasing need for projects, we urge the Congress to appropriate at least 15 million to P.W.I. which will employ 15,000 disabled individuals. Expanding the Projects With Industry program to a level capable of dealing more effectively with this very serious employment problem. Both industry and labor have shown their willingness to put their vast resources together to put the handicapped to work.

Our experience has shown that the P.W.I. concept is an effective tool for bringing the disabled into the workforce. We strongly encourage expansion for this innovative approach. The AFL-CIO, through its affiliates, is committed to the development of employment opportunities for disabled Americans. The labor movement has much to offer, and is willing to do its share in putting the disabled to work in jobs that can offer them a livelihood and a sense of self-worth that has been denied to them for too long. Projects With Industry is making taxpayers out of individuals who historically depended upon public support for their basic needs.

Rehabilitation without productive meaningful jobs for those qualified to work is meaningless. Projects With Industry is giving thousands of individuals their first chance to compete in the real world; Projects With Industry can achieve these goals at a cost far less than conventional programs of the same kind.

Alcoholism is an illness which is now generally recognized as the number one occupational disease in this country. By most sound estimates, about 6% of the nation's workforce is considered to be affected with an alcohol problem.

Labor organizations have been expanding their role in the field of Occupational Alcoholism by developing joint union-management alcohol programs through the collective bargaining process. Many of these programs are establishing 70 - 80% recovery rates which is a highly desirable and rewarding result. Some estimates on the loss to business and industry through the alcoholic worker on the payroll run as high as $43 billion per year.

We believe that the funds appropriated for the NIAAA should be the full amount authorized. We particularly recommend that $25 million under the amount allocated for Project Grants and Contracts should be specifically designated for "Occupational Alcoholism Programs". Through such "seed money" the NIAAA can encourage labor unions and management to establish joint alcohol programs of their own choosing through the Collective Bargaining Process.

OSHA BUDGET

FY 1980

Program	FY 1979 Est.	FY 1980 Est.*	Positions (1980)	AFL-CIO Recommended Positions	Additional Positions Required	Additional Funds Required**
Safety and Health Standards	6,132,000	6,118,000	153	233	+ 80	$2,880,000
Technical Support	12,551,000	13,066,000	224	274	+ 50	$1,800,000
Federal Enforcement ***						
Compliance Officers			974	1,144	+170	$ 6,120,000
Industrial Hygienists			723	1,173	+450	21,600,000
Clerical and Other			503	638	+135	2,160,000
Sec. 11(c) (1)			78	153	+ 75	2,700,000
Compliance Training			58	143	+ 85	3,060,000
Federal Enforcement Subtotal	70,637,000	73,831,000	2,336	3,251	+915	$35,640,000
State Programs/Enforcement	42,500,000	42,360,000	-	-	-	-
Compliance Assistance						
a. Employee Training and Education			29	64	+ 35	$ 1,260,000
b. Federal OSHA Program			15	75	+ 60	2,160,000
c. Consultation			12	12	-	-
d. Public Information			35	35	-	-
Subtotal	27,219,000	30,061,000	91	186	+ 95	$ 3,420,000
Executive Direction	7,263,000	7,255,000	89	104	+ 15	$ 540,000
Safety and Health Statistics	6,732,000	6,829,000	51	51	00	-
	173,034,000	179,520,000	2,944	4,099	+1,155	$44,280,000

* FY 1980 Budget reflects contract costs in addition to salary costs.

** Estimated additional funds are for positions only (versus contract dollars) and are calculated on the following cost per type of employee:

All categories except Clerical and Industrial Hygienist	36,000
Industrial Hygienist	48,000
Clerical as estimated by OSHA	16,000

*** Data Unavailable from OSHA

STATEMENT OF C. THOMSON ROSS, EMPLOYMENT SECURITY ADMINISTRATOR, ILLINOIS BUREAU OF EMPLOYMENT SECURITY

This testimony will supplement our remarks made before the Senate Appropriations Subcommittee on Labor, Health, Education and Welfare March 21, 1979. We thank the Subcommittee for the opportunity to expand on what we feel are vitally important issues in the President's FY 1980 budget.

The Interstate Conference of Employment Security Agencies represents the fifty States and the jurisdictions of Puerto Rico, the Virgin Islands and the District of Columbia which have employment security agencies. Our goals are to insure that the state employment security agencies continue their outstanding record of low cost and efficient service to the employed, the unemployed and the employers of the United States.

The State employment security administrators understand that 1980 will be a frugal budget year and we offer our support to all efforts to keep costs down in all of the programs we operate. We are not urging any increases in outlays of public funds which will not be more than offset by returns to the employment security system, and we believe that we have identified the specific areas which will yield dollar returns beyond the administrative costs required.

As you know, State unemployment insurance benefits are funded out of State accounts in the unemployment insurance trust fund; the source of these funds are employer taxes collected by the States. Congress does not appropriate these funds. During 1980, the estimated revenues collected by the States will be $12.761 billion. These funds are dedicated entirely for the payment of unemployment insurance benefits to the unemployed. The estimated benefit payments for 1980 will total $11.6 billion with $9.9 billion being paid in regular (first 26 weeks) unemployment insurance benefits.

Part of the problem with the discussions in the Executive Branch on the unemployment insurance budget stems from the separate treatment of administrative and benefit costs. The administrative costs of the employment security system are paid from the Federal unemployment trust fund, from Federal unemployment taxes (FUTA) collected by the IRS. The administrative budgets are, as you know, appropriated by Congress. The administrative budgets are not analyzed in terms of their potential impact on either benefit costs or tax collections. While $11.6 billion in benefits will be distributed to the unemployed during 1980, the cost of administering not only the Unemployment Insurance Program but the Employment Service as well, will be $1,796,600,000. (The President's FY '80 budget request for the Unemployment Insurance Program is $1,054,600,000 and for the Employment Service, $742,000,000.)

Allow us to point out some of the areas where the experditure of administrative dollars will insure low cost and proper benefit payments, improved benefit payment control, increased tax collections and greater job placement for individuals who are finding it difficult to become employed.

UI BASE BUDGET

The unemployment insurance program is funded at both a base and contingency level. The base level of funding is intended to provide the employment security system with a stable workforce of trained, permanent unemployment insurance staff. The contingency level supports a temporary or intermittent staff which can be brought on board quickly in times of rapidly increasing workload. Contingency staff are generally not as well trained or experienced and there tends to be a high rate of turnover among contingency workers. The base funding is set at a level of average weekly insured unemployment. The base level is estimated to be equal to the low quarter of activity in each State.

The President's budget has estimated that the low quarter of average weekly insured unemployment base will be 1.9 million weeks claimed. This estimate is made in spite of the fact that the President's estimated unemployment rates are going to be higher in 1980 than in 1979. Since the new economic assumptions were released in December, the expected unemployment rate of 6.2% will result in a higher low quarter of average weekly insured unemployment. The Department of Labor now believes that the low quarter of activity will be 2.3 million weeks claimed based on the higher estimated unemployment rate of 6.2%.

The Interstate Conference of Employment Security Agencies requests that at a minimum the base level of UI funding be restored to the FY 1979 level of 2.1 million average weekly insured unemployment. Allow us to show you the implications of funding the UI base staff at 1.9 million weeks claimed and our recommendations:

UI BASE BUDGETING FOR FY '79, FY '80 and ICESA RECOMMENDATIONS

	FY '79	President's FY '80	ICESA Requests FY '80	Change
Average Weekly Insured Unemployment	2.1	1.9	2.1	+0.2
Base Positions	40,791	38,542	40,791	+2249
Contingency Positions	7,773	10,558	7,773	-2785
Dollars Budgeted	$995.6M	$1,054.6M	$1,076.7M	+$22.1M

As you can see, if the low quarter base is funded at 1.9 million average weekly insured unemployment, the base UI staff is decreased by 2,249 positions. This means that during a year when the unemployment rate is expected to increase the regular, trained, permanent UI staff will be decreased. If the unemployment rates increase and exceed 6.2% as is expected by the Congressional Budget Office, a reduction of trained UI staff will likely result in decreased services to the unemployed. The effects we could anticipate include lengthening the waiting time for filing a claim, lengthening the time it takes to receive the first benefit check after filing, and more errors in determining both monetary and personal eligibility thus increasing overpayments and the potential for abuse. When the base UI staff is too low to meet the demands of those needing to file claims, all other functions of the employment security system begin to suffer.

The President's 1980 budget does include a larger number of contingency positions than were available in 1979. However, contingency staffing is not as reliable as permanent trained UI staff, especially during times of rapidly increasing unemployment. Contingency staff are funded at a lower rate than base staff and the effect of increased contingency staffing is to fund the workload in unemployment insurance at a lower rate. One aspect of this lower funding rate which is of major concern to every State employment security agency is the fact that contingency non-personal services (overhead) dollars are far less than base staff non-personal services dollars. The effect of lower non-personal service dollars is that staff are left without sufficient space and equipment to serve the unemployed. In addition, problems occur in hiring staff in time to meet workload and providing them with adequate training to do their job well. We have evidence of these problems based on our experience during the 1974-75 recession. We seriously question that the quality of work from contingency staff can offset their lower cost during a year when workloads are expected to rise significantly and accuracy, knowledge and efficiency will be extremely important.

The Interstate Conference of Employment Security Agencies believes that a reduction in UI base staff in 1980 would be a serious mistake. Therefore, we urge Congress to fund the base UI staff at the 2.1 million average weekly insured unemployment level. The cost of this restoration to the 2.1 base level is $22.1 million. We are sure that the ability to serve those who are unemployed will remain consistently good and will continue to be cost effective if we are permitted to maintain our cadre of trained, permanent staff who are now available to meet the needs of the unemployed. We strongly recommend that the $22.1 million be added on to the base staffing appropriation without offsetting this amount from other parts of the UI budget.

BENEFIT PAYMENT CONTROL AND ELIGIBILITY REVIEW

Last year this Committee voted to fund 500 additional positions in the eligibility review and benefit payment control functions. The Committee and the Congress provided an additional $10.0 million to enhance these two functions and these positions are expected to return $38.6 million in FY '79 through direct reductions of fraud and abuse in the UI program. While the President's budget does include a portion of the 500 positions which were added last year, the overall UI program budget has been cut to absorb the cost of these positions. The effect of absorbing the benefit payment control and eligibility review positions will be felt in an increase in the amount of workload which must be completed for each staff year invested. Under the 1980 budget, the ratio of staff years to workload, measured in terms of the number of new claims taken per single staff year, will be 1/2648. Additionally, the number of eligibility reviews which will be completed to each week claimed has been reduced. Another manipulation resulted in the elimination of the minimum fundable Cost Model MPU (minute per unit) in the four broad band UI functions (new claims, weeks claimed, non-monetary determinations and appeals). These steps were completed during the budget process in the Department of Labor and their combined effect is to increase the productivity which is demanded from each staff year invested.

If the Committee chooses to restore the UI base funding to the 2.1 million average weekly insured unemployment base level discussed above, this productivity assessment will essentially be removed. The new ratio of workload to staff year will then be 1/2538. That means for each staff position in 1980, a total of 2538 new claims will be taken. With an additional $10.0 million, the 500 benefit payment control and eligibility review positions would be fully restored. We believe that both the need for maintaining a full and adequate permanent, trained base staff and the added expected returns from enhanced eligibility review and benefit payment control activities are sound reasons to restore funding to the 2.1 base level we have requested. If the Committee determines to fully fund the benefit payment control and eligibility review positions as well, we anticipate returns of $40 million in 1980.

TAX STAFFING

A third area of concern to the employment security system is the staffing of the tax function in the State agencies. As mentioned earlier, the estimated collections for the States and jurisdictions in 1980 is $12.761 billion. These funds then go into the unemployment insurance trust fund account and are available to pay benefits to claimants whenever they are unemployed. Staffing for the tax function is based on the estimated number of subject employers from whom the taxes will be collected. The estimated number of subject employers in 1980 is 4,460,000. This represents a 2.8% increace in subject employers over 1979. However, staffing for tax has been falling behind in recent years for two reasons. First, in 1978 the number of subject employers was underestimated, failing to accurately assess the number of new employers who would fall under coverage with the enactment of PL 94-566 (expanding coverage considerably). Second, the shortfall in staffing was not made up because the utilization rate for tax positions was only 93.5%.

This 93.5% utilization rate in FY1978 has several explanations. First, it is widely recognized that tax positions are difficult to fill and the Department of Labor Tax staff believe that a 95.0% utilization rate in tax is reasonable and allows for the unfilled position problem. However, and more significantly, tax positions are often used to cover other essential UI functions which are inadequately funded. When tax positions are used to cover other benefit activities, the effect is that a smaller amount of countable tax workload items are accumulated resulting in apparent underutilization. When the utilization rate is examined by the Office of Management and Budget, their determination is that all tax workload is being completed with fewer positions. We believe that this is inaccurate and that many tax activities are being delayed or ignored all together.

It is possible to examine the ratio of staff years to subject employers as a measure of the amount of workload being carried by each member of a tax staff. The level of this ratio which the Department of Labor has established as desirable is one tax position to every 512 or 513 subject employers. Whenever the ratio exceeds this desired level, the tax staff begins to lose its ability to effectively audit employers or to pursue all but the most flagrant delinquencies. The investigation of obstructed unemployment insurance claims is delayed, causing UI claimants to wait longer periods of time before receiving their proper benefits. If delinquent employers are not pursued their tax dollars are not accumulating interest and the system loses revenue. There is growing concern among both the ICESA Tax Subcommittee and Department of Labor Tax staff that the higher workloads in the tax function are causing severe loses in revenues to the system, delays in the timely certification of new employer accounts, and severely restricted auditing of employers.

In addition to the above concerns, the Department of Labor has recently revised their Field Audit Policy. The new requirements of this policy will not be implemented as effectively if there is insufficient staff to meet the regular demands on the tax staff. Audits are one of the most important functions of any tax unit, and yet they are a controllable work item. If the basic work items such as establishing new employer accounts, collection of contributions and investigations of obstructed unemployment insurance claims are the only work items which can be completed, then audits will not be assigned. It has been shown that quality auditing yields high dollar returns and we believe that the adequate funding of tax will insure that all work items in the tax function are completed satisfactorially.

The following table shows the relationship between workload and positions during the years 1977 and 1980 for the tax function:

TAX STAFFING, WORKLOAD AND BUDGET 1977 through 1980

	FY'77 Actual	FY'78 Actual	FY'79 Estimated	FY'80 Estimated	ICESA Recommends
Number of Subject Employers (workload)	4,143,613	4,356,587	4,355,000 (budgeted) 4,509,641 (revised)*	4,460,000	4,460,000
Tax positions	7,880	8,145	8,462 (revised)	8,722	9,045
Ratio of tax positions to subject employers	1/526	1/535	1/533 (revised)	1/532	1/513
Utilization Rate of tax positions	96.9%	93.5%	95.0% (projected)	95.0% (est)	95.0% (est)
Actual tax positions	7,636	7,618	8,083 (projected)	8,286	8,594
Adjusted ratio of tax positions used to subject employers	1/543	1/572	1/561 (projected)	1/560	1/541

The cost of fully funding a tax position for 1980 is $22,600.00. The addition of 323 positions in 1980 will cost $7,299,800.00.

The Unemployment Insurance Service Tax Unit estimates that utilization levels will rarely exceed 95.0% for several reasons. Primarily, the Tax Unit believes that tax positions are difficult to fill, having strict requirements under State merit systems, and that most underutilization is directly due to having unfilled tax positions, not because there is any shortage of work to be completed.

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* The original estimated number of subject employers budgeted for in FY'79 did not include the State and local government entities which came under coverage with the enactment of PL 94-566. The revised estimate is based on actual workload in the first two quarters of FY'79 projected forward. The staffing required to meet this workload, however, has not yet been funded.

We are certain that the expenditure of the $7.3 million to fully fund the tax function will yield high returns in increased revenues.

WORK INCENTIVE (WIN) PROGRAM

Another budget which treats separately administrative and benefit costs is the Work Incentive (WIN) program. As you know, WIN provides training, employment and supportive services to welfare recipients. In 1978 there were 286,400 WIN clients placed in unsubsidized employment which lasted 30 days or more. This placement level represents an increase of 5.3% over the preceding year. Half of the newly employed participants earned enough on the job to remove themselves and their families from the AFDC rolls immediately, while others received assistance but at a reduced level. Savings to the taxpayers of $645 million in AFDC costs far exceeded the administrative dollar cost of the program ($364 million in FY 1978). In fact, for each administrative dollar spent in WIN there was $1.90 saved in AFDC costs. This reduction in welfare grants amounted to a 48% increase over the prior fiscal year. Additionally, these savings do not account for simultaneous reductions in the Medicad and Food Stamp programs.

In recognition for the improved performance of the WIN program in 1977, this Committee was instrumental in providing, in FY 1979, for inflationary increases for the WIN program, amounting to $20 million, to prevent program cuts. The Committee should be cognizant of two subsequent events. First, the Department of Labor has diverted those funds from the regular WIN program to "welfare demonstration projects" both in FY '79 and FY '80. Thus far, the Department of Labor has not begun any projects to our knowledge. Second, the 1980 President's budget does not include any inflationary increases. Therefore, the WIN program will be reduced, and presumably AFDC costs will increase. We believe the Committee should continue its thinking of last year, and provide $22 million for inflationary increases in FY 1980.

THE EMPLOYMENT SERVICE

In the Employment Service, the President's 1980 budget continues to recommend a staffing level of 30,000 positions, thus maintaining a standstill level for the 15th year despite a 29% growth of the labor force, and a huge increase in the use of the Employment Service by employers and jobseekers. We would like to highlight some of the accomplishments of the Employment Service during FY '78:

Placements

6.2 million nonfarm placements (up 12.7% over FY '77)

3.6 million placed in unsubsidized employment (up 4.2% over the year)

3.42

- 1.1 million transfer payment recipients placed in jobs (of the 5.5 million required to register with the Employment Service)
  - UI claimants - 3.5 million placed
  - Food Stamp recipients - 1.4 million placed
  - WIN and other welfare recipients - 1.4 million placed

Target Groups Placed

- Veterans - 766,000 placed (up 6.2%)
- Disabled Veterans - 49,000 placed (up 16.7%)
- Economically disadvantaged - 1.6 million placed (up 13.6%)
- Minorities - 1.5 million placed (up 14.5%)
- Women - 1.9 million placed (up 12.3%)
- Older Workers - 409,000 placed (up 5.4%)
- Youth (under 22) - 2.0 million placed (up 13.2%)
- Summer Youth - 553,000 placed (up 13.3%)
- Handicapped - 232,000 placed (up 12.1%)
- CETA applicants - 520,000 placed (up 18.2%)

Employers Served

- Direct access for over 1.5 million employers nationally
- 9.1 million job openings were received (up 14%)
- 1.4 million subsidized job openings (up 37%)
- 8.2 million unsubsidized job openings (up 12%)

Job Fill Rates

- 69.5% of all job openings were filled by the Employment Service
- 68.9% of nonfarm jobs were filled
- 82.5% of agricultural jobs were filled
- 86.9% of subsidized jobs were filled
- 66.6% of unsubsidized jobs were filled

Other Reportable Service to Applicants

- 10.1 million individuals received some other reportable service
- 8.3 million were referred to a job
- 1.5 million had job development contacts made for them
- 1.0 million persons were counseled
- 762,000 persons were tested

During FY '78 the average cost per placement transaction was only $147. This figure compares quite favorably to any other cost per placement transaction in both the public and private employment business. On the basis of all services for which funds are received including WIN, CETA, Food Stamps and ES Grants to States, it cost an average $211 to place an individual on a job.

We believe that this continued improved service record speaks for itself. The Employment Service has consistently provided the people of the United States with a free labor exchange which is widely available through the 2,400 local offices throughout the country. This is especially important in the case of rural services since the Job Service is frequently the only manpower agency in rural communities. In a recent survey completed by ICESA, we have established that the Employment Service has contractual agreements on a nonfinancial or financial basis with 94.5% of all operating prime sponsors in the CETA system. There were 740,000 CETA applicants referred to jobs by the Employment Service and the number will continue to grow. The linkages between the Employment Service and CETA have become stronger during the last four years and we anticipate, with the increased role in CETA planning for the State employment security agencies, that the system of linkages will become even stronger in the next four years.

The standstill funding of staff for the Employment Service is going to, in the near future, result in a public Employment Service in which the staff is so inadequate that they will be able to do little more than process job orders and take applications, with virtually no time available for matching the two. We believe that this is not the intent of Congress and would like to propose that we work together to come to some mechanism for identifying appropriate funding for the Employment Service in the future. We believe that the Employment Service and CETA can work in harmony, without duplication of effort, to provide all services which are needed by both the job ready applicant and the applicant who requires training, job search development, or other job preparation. We look forward to addressing this and other questions about the Employment Service and the funding levels for the Employment Service with this Committee in the near future.

TARGETED JOBS TAX CREDIT

The employment security system has been designated as the lead agency at the State and local level for implementation of the targeted jobs tax credit program. We welcome this designation, and feel that we can implement this program expeditiously and well to the advantage of employers and jobseekers alike. The President's budget proposes to fund this activity over two years from the FY 1979 supplemental appropriation for Title VII of CETA, setting aside up to 8% of the $400 million proposed for that activity.

We wish to point out that the Title VII of CETA, the Private Sector Initiative, is not directly related to the targeted jobs tax credit which was provided for in the Tax Revenue Act of 1978. Therefore, we recommend that funding for the administration of the targeted jobs tax credit be set at a flat amount of $32 million. We have previously expressed our concern in letters to Chairman Warren G. Magnuson and Chairman William H. Natcher of the Senate and House Appropriations Committees.

CONCLUSIONS

We recognize the need for the Committee to make recommendations which hold appropriations to the lowest possible level. However, we believe that we have established that the additional revenues which we request will be more than offset by the returns of the programs they will fund.

We will be happy to provide any additional information that the Committee may desire. Thank you for the opportunity to present this testimony.

ADVOCATE

- Restoration of the 2.1 base funding level for UI	$22.1 M
- Full funding of tax function	7.3 M
- Maintenance of the 500 positons in UI for benefit payment control and eligibility review	10.0 M
- Funding inflationary increases for WIN	22.0 M
Total request	61.4 M
- Examination of appropriate funding level for the Employment Service	
- Designation of $32 million for targeted jobs tax credit	

STATEMENT OF THE NATIONAL LEAGUE OF CITIES

The National League of Cities submits the following statement on FY 1980 appropriations for programs under the jurisdiction of the Labor, HEW Appropriations Subcommittee.

CETA

Despite the current negative views towards the Nation's major employment initiative, the Comprehensive Employment and Training Act of 1978, NLC believes the program is an effective and efficient mechanism for providing useful employment and training for the economically disadvantaged. In part, the current confusion in implementation of the program and the resulting spending lag are due to the uncertainty of funding over the years since the program's inception. The harsh attitudes expressed toward CETA during last year's re-enactment process did little to encourage continuation of the program at the local level. Continual indications that funding for the program would be cut and uncertainty about restrictions that would be added to the program militated against hiring additional participants at the local level.

Now, as funding levels for FY 1980 are under discussion, the persistent talk is again of cuts. Local elected officials are in no position to risk limited local funds to sustain an ongoing employment program, should the federal government cut back substantially or eliminate funding entirely. Unless and until expectation and reality merge, there will continue to be problems with CETA at the local level.

With these observations as background, the National League of Cities would like to recommend the following FY 1980 appropriations for CETA:

Title II A, B and C (training) - $2.8 billion. Training programs have been victimized by inflation since CETA was first enacted in 1974. The two main sources of inflationary impact are the rising cost of materials and salaries and the minimum wage. Materials and salaries support the instruction and training of participants; the minimum wage affects the allowance level for trainees. Since CETA was enacted in 1974, the Consumer Price Index has increased more than 35 percent and the minimum wage about 45 percent. Yet appropriations for these activities have barely increased from the $1.88 billion provided in FY 1975. The $2.054 billion proposed by the Administration for FY 80 will not sustain even current levels of training activities. With the new emphasis on securing unsubsidized employment for economically disadvantaged individuals, we believe the investment in training programs -- particularly given the Department of Labor's limitation on the use of Title II D funds for training activities -- is a prudent use of federal funds.

Title II D (structural public service employment) $2.5 billion. NLC supports the Administration's attempt to focus public service jobs funds on individuals who are severely economically disadvantaged and who have little attachment to the labor force.

Title IV (Youth programs) - Summer programs - $818 million. I wish to take this opportunity to thank you and the members of this Committee for your responsiveness in providing adequate and timely appropriations for a program that is truly important at the local level. We are extremely disappointed by the recent GAO report which excoriates administration of the summer employment program. As usual, the data supporting GAO's conclusions is based on limited observation and information that is at best outdated. In the past several years, the Appropriations Committee has recognized that adequate planning is impossible without sufficient lead time and has made funds for the summer program available in the prior fiscal year appropriation bill. This has enabled prime sponsors to develop far more innovative and effective programs for economically disadvantaged youngsters during the summer months and provided better access to the client population when there was certainty of program size several months prior to closing of schools.

We are dismayed at the Carter Administration's proposal to cut back on the summer jobs program. Given the Administration's commitment to addressing the problems of massive youth unemployment -- particularly among minorities -- we believe that the program should be continued at least at current slot levels, taking into account the increase in the minimum wage scheduled for next year.

We support the Administration's modest increases in youth employment programs overall, but have reservations about defunding the Youth Incentive Entitlement Pilot Program until further information is available on its success or failure.

Title VI (cyclical public service jobs) -- $2.190 billion. The National League of Cities supports the Administration's request to continue the cyclical public service jobs program at reduced levels. We believe that some certainty of funding will ensure effective program operations and do not support additional cut backs in this program. Congress should provide for a continued cyclical pse program in preparation for likely increases in unemployment by the end of this calendar year.

Title VII (private sector initiative) - $400 million. NLC supports funding of the Administration's private sector initiative.

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Since the preponderance of job opportunities lie in the private sector, we believe federal initiatives to link prime sponsors and the private sector more closely in the development of job opportunities for economically disadvantaged individuals will move in the direction of securing long-term unsubsidized employment for individuals not currently in the labor force.

Older Americans Act

The $559 million proposed by the FY 80 budget for these programs is far below the $1.1 billion authorized under PL 95-478, representing only a $38 million increase over the FY 79 appropriation of $521 and $12.1 million supplemental request. While President Carter has allowed for some funds ($23 million to accommodate the revised Title III service consolidation, the funding does not allow for any expansion of the number of Area Agencies on Aging which some cities may apply for under the Older Americans Act Amendments of 1978. NLC supports an appropriation of $590 million for these programs, $290 million for nutrition programs and $300 million for senior center programs. This action would allow the nutrition program to keep pace with high costs of food, facilitate at least the maintenance of current senior center services as authorized under OAA, and accommodate the cities that may wish to become their own Area Agencies on Aging, in order to more efficiently serve their elderly population better.

Title XX Social Services

NLC supports the Administration's request of a $2.9 billion permanent ceiling for social services programs. The old limit of $2.5 billion is clearly inadequate in view of the impact of inflation in recent years. We also support a set-aside of $16.1 million for Puerto Rico and the Territories.

Child Health Assurance Program

NLC supports the Administration's proposal to establish a Child Health Assurance Program (CHAP) which will improve the delivery of preventive and primary health care to poor children and assure the provision of adequate prenatal care to low-income pregnant women. In some cities, public health departments will be reimbursed for preliminary screening and referral of young children and low-income pregnant women if a health problem is diagnosed as such. The President's budget asks for $288 million to fund this initiative. Authorizations for the legislation are expected to be reported by authorizing committees shortly.

Urban Health Initiative

The President's National Urban Policy proposed an additional $50 million in authorizations to fund additional outpatient facilities, expansion of free standing community health centers, and prepaid capitation agreements in inner-city areas. The FY 1980 budget includes a supplemental appropriation request of $81 million for FY 1979 and in increase of $30 million for FY 1980 to fund most of the items requested by the President pursuant to the Health Services and Centers Amendments of 1978. We strongly support this initiative as a way to alleviate the steadily increasing financial and personnel burdens on emergency rooms of public general hospitals. Many times poor individuals rely on the emergency rooms, since there is lack of health facilities and personnel to take care of costly ailments which could easily have been avoided and been substantially less expensive with proper care in health centers or through prepaid plans such as HMO's.

Education

The Education Amendments of 1978 provided authorizations for educational programs of importance to the cities. Of significant impact on cities are three programs: Title I of the Elementary and Secondary Education Act, especially the revised program which concentrates on the poorest school districts, Education of all the Handicapped, and the Community Schools programs.

Title I - NLC supports the President's request of $400 million. The new funds will be concentrated in school districts with greatest need for remedial training of low-income and low-achieving students. The funds are distributed nationally to school districts with low-income populations.

Education of all the Handicapped - The Administration proposes funding of an additional $51 million for educating the handicapped, with the FY 80 request totalling $1.03 billion. This amount represents about 12 percent of the total funds needed to comply with the Education of All Handicapped Children Act of 1975 (PL 94-142). That Act sets the maximum federal contribution at 20 percent which would add another estimated $600 million to the budget. NLC believes the federal government has some obligation to assist in the assumption of federally mandated costs. And accordingly, we recommend that the additional funds to meet the Act's 20% requiremnt be phased in expeditiously.

Community Schools - This program funds projects by cities and local educational agencies toward providing educational, recreational, cultural, and other related community services in accordance with needs, interests, and concerns of the community. The projects attempt to husband and recycle resources of the community to fully utilize the school buildings which may be unused during a portion of the day, or in some instances be closed all together due to cut backs in finances and declining enrollment.

While the program is authorized at $20 million in FY 1979, $25 million in FY 1980, and $30 million in FY 1981, actual funding and the President's budget request for FY 1980 lag considerably behind. Appropriations were for $3.6 million in FY 1979 and $3.2 million for FY 1979. President Carter has suggested in FY 1980 that $3.1 million be provided. NLC suggests that the funding increase to at least $10 million in FY 1980 in order to accommodate more effective use of existing facilities which are vacant or underutilized.

Family Planning

NLC supports the President's budget levels for two initiatives -- the adolescent pregnancy prevention program incorporated in the Health Services Amendments of 1978 and Title X of the Public Health Services Act for family planning -- which are designed to reduce individual dependency on income support programs.

Health Incentive Grants

Title III of the Health Services and Centers Amendments of 1978 authorized a new program, entitled Health Incentive Grants, which provides support for State and local public health services, stimulating State and local governments to address those public health needs which are unique to their own service areas. The program has been funded at the $90 million level for FY 1979. $150 million is authorized for FY 1980 and $170 million for FY 1981. The budget asks for funding of only $52 million for FY 1980, since a consolidation of existing formula and block grants into a $99 million mental health block grant and implementation of an $18 million state formula grants for preventive health services are being proposed.

NLC believes that health incentive grants offer a unique opportunity for Congress to make a significant contribution to preventive activities by utilizing the resources of all levels of government. We believe that the grants allow for maximum flexibility while building on the strengths of current preventive activities. Health incentive grants should be funded at least at last year's level of $90 million to allow the new program a chance to work.

SUBCOMMITTEE RECESS

Senator EAGLETON. This subcommittee will meet on March 27 to take some testimony from public witnesses with respect to the health appropriations.

Thank you very much.

[Whereupon, at 12:40 p.m., Wednesday, March 21, the subcommittee was recessed, to reconvene Tuesday, March 27.]

DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

THURSDAY, MARCH 22, 1979

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:50 a.m. in room 3302, Everett McKinley Dirksen Office Building, Senator Lawton Chiles presiding.

Present: Senator Chiles.

GENERAL ACCOUNTING OFFICE

STATEMENT OF DONALD L. SCANTLEBURY, DIRECTOR, FINANCIAL AND GENERAL MANAGEMENT

ACCOMPANIED BY:

- GEORGE EGAN, ASSOCIATE DIRECTOR, FINANCIAL AND GENERAL MANAGEMENT STUDIES DIVISION
- ROBERT RASPEN, SUPERVISORY AUDITOR, FINANCIAL AND GENERAL MANAGEMENT STUDIES DIVISION
- JOSEPH STANZIALE, SUPERVISORY AUDITOR, CLEVELAND SUB-OFFICE

INSPECTOR GENERAL OF HEALTH, EDUCATION, AND WELFARE

Senator CHILES. This morning we will be considering the budget request from one of the most important offices in the bureaucracy when it comes to fighting fraud and misuse of the American tax dollar. The Inspector General of Health, Education, and Welfare was established by special legislation as the first office of this type in the executive branch.

We used that office a year later when we drafted and last year enacted the inspector general bill for all agencies and departments. The Health, Education, and Welfare Inspector General continued to be the model as the executive branch began its process of recommending inspector generals for those other branches of Government.

But the fact that Congress has enacted the inspector general law and copied it after the Inspector General at Health, Education, and Welfare does not mean that the problems have gone away for either the inspector general or for the Congress.

EMBEZZLEMENT OF FUNDS IN CLEVELAND

We'll hear this morning that a finance officer in a Health, Education, and Welfare-funded program in Cleveland, Ohio, embezzled $120,000 and then was allowed to stay on in that very same office, continuing to sign checks and deal with the other very important financial matters in that organization. We'll also hear that it was only after the General Accounting Office officials went to Chicago and alerted the Acting Health, Education, and Welfare Regional Director that the matter was ever reported to higher-ups. But did the regional director report it to the Inspector General's Office, and did that Office take any initiative to correct the Cleveland matter or to make sure the same thing doesn't happen in other cities, will be part of what we will inquire into today.

Indeed, the General Accounting Office found that the same old practices in Cleveland which encouraged such things as the misuse of credit cards and the multiple payments of bills has still been going on.

Equally disturbing in the Cleveland case is the action of two private auditing firms hired to see that the American tax dollar was being spent effectively and legally. We understand one auditor did not want to get involved in the embezzlement matter since his firm was hired to audit Community Services Administration funds and not Health, Education, and Welfare funds. And the Health, Education, and Welfare auditor, for some reason, also failed to report the embezzlement.

COOK COUNTY, ILL., HEAD START OFFICIAL

In another case we will hear about this morning, a Head Start official in Cook County, Ill., got the idea that he could set up a dummy corporation and buy buses for the Head Start children and then lease them to Head Start. His idea worked. In fact, it worked so well that after HEW had paid for the first group of buses he sold them on the private market for a profit and deposited that profit to his own bank account and went out and started the same scheme again.

STEPS TO DETECT FRAUD AND WASTE

We're bringing up these examples this morning to gain insight into just what and how the new Inspector General's Office at Health, Education, and Welfare will work in regard to fraud and waste of this kind. We want to know what steps are being taken to detect cases like this and, perhaps even more importantly, what steps are being taken to make sure that they don't happen again.

The inspector general law must work, and it must contain safeguards to make sure that the same old shams and ripoff games don't continue over and over again in every county and State in America. It's certainly up to the Congress to oversee the inspector general offices, and that monitoring of the Inspector General of the Department of Health, Education, and Welfare starts this morning, as we begin considering how much to fund that office for the next fiscal year.

Our first witnesses this morning will be from GAO, and we have Mr. Donald Scantlebury. And Mr. Scantlebury, will you introduce your associates for us.

INTRODUCTION OF ASSOCIATES

Mr. SCANTLEBURY. Yes. On my left, Mr. George Egan, who is Associate Director of the Financial General Management Studies Division of GAO. Mr. Robert Raspen, on my right here, is team leader of the entire assignment that we're doing for you. Mr. Joseph Stanziale is in charge of the work that we're doing in Cleveland.

Senator CHILES. I want to thank you all at the outset for the work that you are doing. I think it's very, very valuable and is going to help us and help the Offices of the Inspector General get their procedures right so that we can begin to have the agencies themselves be monitoring and detecting this fraud.

Mr. SCANTLEBURY. I have a short statement.

Senator CHILES. Yes, sir.

PRELIMINARY RESULTS OF REVIEW IN GREATER CLEVELAND

Mr. SCANTLEBURY. We're pleased to be here today to discuss the preliminary results of a review you requested in November 1978. We haven't completed the work, and so I mention again this is preliminary.

You requested that we investigate the allegations of fraud and abuse disclosed by various audits of Government programs operated by the Council for Economic Opportunities in Greater Cleveland and its subgrantees. You asked us to determine if action has been taken to correct the management deficiencies which permitted the fraud and abuse to occur. In addition, you asked us to test other similarly funded or constituted grantee organizations to determine whether a comparable situation exists.

The Council for Economic Opportunities in Greater Cleveland was established as a response to the social needs and the resources offered by the Economic Opportunity Act of 1964. The Council is a community action agency through which Federal, State, and other funds are received and distributed. The council works through many community organizations and groups referred to as subgrantees.

Federal funds are received from the Departments of Health, Education, and Welfare, Agriculture, and the Community Services Administration. For fiscal year 1979, the council's records show that they received $6.5 million in Federal funding. Of that amount, the Community Services Administration provided $3.8 million or 59 percent; Health, Education, and Welfare $2.5 million or 38 percent; and Agriculture $200,000 or 3 percent.

The Community Services Administration's funds are used primarily to support six neighborhood centers, while HEW funds are used for Head Start and day-care centers. Agriculture funding goes for food reimbursement at Head Start and day-care centers.

The council and its subgrantees have at least 22 different checking accounts from which disbursements are made. The balances in these accounts totaled $1.4 million as of January 26, 1979. Funds in some of these accounts have been audited by Ernst & Ernst and Peat, Marwick & Mitchell accounting firms. Ernst & Ernst has been auditing HEW funding and Peat, Marwick & Mitchell the CSA funding.

We used the accounting firm audit reports and work papers to review council activities.

The auditors noted the following problems:

Unauthorized loans from the council's checking accounts, some of which had not been repaid.

Diversion and embezzlement of Federal funds.

Dual, excessive, and questionable reimbursement of food costs.

Unauthorized payroll advances and bonuses to council and subgrantee staff.

Unauthorized credit card charges for personal use by subgrantee staff.

While the council stated that corrective measures have been taken to prevent recurrence of the problems described above and to recover the fund, we found it has not corrected the entire situation and as a result, some abuse and possible fraudulent use of Federal funds still occurs.

GENERAL ACCOUNTING OFFICE FUNDING

Details of what GAO found are described in the following four areas: The $120,000 embezzlement, improper loans, the Community United, Inc., subgrantee, and the Harvest Daycare Center.

The embezzlement of $120,000 in Federal funds. The finance director of the council pleaded guilty to diverting $120,000 of HEW funds. The FBI report showed that the finance director, during the period February through November 1976, made checks payable to himself, deposited them in a personal account, and when the checks were returned, changed the payee's name into the council's name to make the checks look legitimate.

The embezzlement was uncovered by Peat, Marwick & Mitchell after receiving information from a bank official. The embezzlement involved HEW funds, and the accounting firm discovered it, even though it was hired only to audit the Community Service Administration funds.

Once the diverted funds were discovered, the council and Peat, Marwick & Mitchell had a number of meetings over a 7-month period before the council took some action to improve internal controls over disbursement of funds. During this period, the council retained the finance director on the payroll to close the books, even though Peat, Marwick & Mitchell recommended he be suspended immediately.

Neither the council nor the accounting firm reported the diverted funds to the Federal agencies that provided the funding.

In June 1977, our office reported the fund diversion to HEW and the FBI. The FBI's investigation led to the U.S. attorney filing charges on September 13, 1978, against the finance director on three counts of embezzlement totaling $98,000 of Federal funds.

On November 29, 1978, the finance director pleaded guilty to all three counts and returned the $120,000 and interest that it had accumulated in his bank account. The U.S. magistrate gave him a reduced jail sentence of 2 weeks, a fine of $1,500 and a 3-year probation.

Now, turning to the unauthorized loans. The council made loans of HEW, Community Services Administration, and Agriculture funds between major accounts from May 1973 through January 1979, even though this is prohibited under existing regulations. The loans between major accounts included:

One: The council loaning money to its subgrantees and subgrantees loaning money back to the council;

Two: The council loaning money to other major cities, with apparent approval of CSA officials; and

Three: One council loan which involved the embezzlement of funds as previously described.

While the council's executive director stated all loans have been repaid, we found this was not true. For example, Ernst & Ernst reported initially in 1975 that the council had recorded in their general ledger $180,000 in accounts receivable made up of a number of loans by the council to its subgrantee agencies.

According to the council's executive director, these loans were repaid. We found from our detailed examination that $23,000 still remained outstanding.

In another example, we found the council made numerous other loans from its Agriculture food reimbursement account. During the period 1970 through 1978, the council made loans totaling $445,000, of which $387,000 had been repaid and $52,000 still remains outstanding.

Some loans were made to organizations that received no Agriculture funds. For example, loans were made to such programs as emergency energy, westside civic and youth delinquency prevention.

Further, we found that the council's general ledger and accounting records relating to loan transactions were incomplete and poorly maintained.

The council's officials informed us that they did not know what to do to reconcile all the loans. Ernst & Ernst called this problem to the executive director's attention in December 1977. The council has not done anything to insure a timely recording and repayment of loan transactions between major program accounts.

We believe the large number of loans made in the past indicates extra money is available in some accounts and Federal agencies are not effective in recovering excessive and unapplied funds.

AUDIT OF COMMUNITY UNITED, INC.

Now, to the audit of the Community United, Inc. During an audit in 1976 of the Head Start program administered by Community United, Inc., a subgrantee of the council, Ernst & Ernst auditors found a lack of internal control, inadequate documentation, and evidence of payments that appeared to be improper and possibly fraudulent. Ernst & Ernst reported to the HEW audit agency in Chicago on September

21, 1976, that their audit of Community United, Inc., had found payments that appeared to be improper and possibly fraudulent. Their routine audit uncovered evidence of the following types of activities:

Frequent and repeated salary advances to the director;

Little internal control;

The project director has no accountability to anyone;

Unauthorized and frequent travel;

Improperly computed per diem travel allowances;

Excessive mileage reimbursements;

Improper use of gasoline credit cards;

Questionable use of American Express credit cards;

Unsupported travel cost reimbursements; and

Unauthorized bonuses paid to several employees, including the director.

As a result of the audit, the council executive director stated that the council took away the community united project director's complete control over the agency's financial and travel transactions. Also, the executive director took the following steps in taking over financial control until proper controls can be instituted at community united, so that further practices such as described in the audit will not occur:

He revoked the authority of the director of Community United to sign checks or authorize disbursement of funds;

Canceled all credit cards in the name of the agency;

Required all travel to have prior authorization of Community United's board of trustees;

Required all checks to have two signatures, one of which must be either the chairman or secretary of the board;

Designated the council's internal auditors to review all fiscal transactions and disbursements of Community United;

No checks may be written without prior approval of the council's internal auditors.

On September 26, 1976, the Chicago HEW regional auditor notified Ernst & Ernst that, since possible fraud was involved, the matter was being referred to HEW's Office of Investigations. As of September 20, 1978, the Chicago HEW investigators told us that their office had not done any work on the alleged fraud and their office was being swamped with medicaid fraud investigations and other media-publicized scandals.

GAO initially reported the potential fraud to the Chicago FBI office in June 1977, who in turn referred the case to the Cleveland FBI office. The Cleveland office stated a detailed investigation was not done, but in their opinion potential fraud involving duplicate reimbursement of about $300 in travel costs existed.

The FBI referred the case to the U.S. attorney for a prosecutive opinion. On January 23, 1979, the U.S. attorney decided not to prosecute because the case was too old and the dollar amount was insignificant.

In testing Community United's 1978 disbursements, we also found many of the same weaknesses continued to exist. During fiscal year 1978, Community United Head Start and day care operated on a budget of over $700,000, including about $600,000 in HEW funds.

HARVEST DAY CARE CENTER

Now, to the Harvest Day Care Center. The Harvest Day Care Center is one of eight centers that is part of the Ministerial Day Care Association. The Ministerial Association is a subgrantee of the council.

The Department of Agriculture's audit report stated that the center received excessive and duplicative reimbursements of up to $4,700 or more in 1976 for food and related labor costs. In addition, the council continues to reimburse the center for parent counseling services up to $6,000 annually without any assurance that the services are actually performed.

Agriculture's investigation of the center covering the period from January 1976 to January 1977 disclosed the center claimed unearned reimbursements under the food and nutrition services child care food program. The center failed to maintain adequate records on attendance, meals prepared and served, food purchases, and other information required by Agriculture's regulations.

More specifically, the center claimed reimbursement for feeding an average of 30 children during the June to August period when records showed a lower number were fed; claimed excessive reimbursements of $1,116 for lunches served to children during June to August 1976 who were fed lunches at another public school summer program site; obtained dual reimbursement of $3,673 for a dietary aide/cook salary from the council under HEW-funded programs for the period January 1976 through January 1977, and at the same time claimed reimbursement of $4,700 for similar labor costs from Agriculture's food and nutrition service; finally, provided cash register tapes which did not adequately support food purchases from November 1976 through January 1977.

Further, Agriculture's Office of Audit found that the center did not qualify as a nonprofit organization under section 501(c)(3) of the Internal Revenue Code. As a result, the center is not entitled to receive reimbursement of costs.

This concludes our prepared testimony, Mr. Chairman. We'd be pleased to try to answer any questions.

Senator CHILES. Thank you, sir.

These questions, if any of them can be answered by your associates, it's better at this stage to chime in.

DISCOVERY OF THE DIVERSION OF FUNDS

How did Peat, Marwick & Mitchell discover the diversion of HEW funds when it was auditing the Community Services Administration accounts?

Mr. SCANTLEBURY. Peat, Marwick & Mitchell, we learned, received a tip that there was the possibility of embezzlement at the council from a bank official, and they followed up on that. That led them into the embezzlement.

Senator CHILES. Who did they report the embezzlement to, Peat, Marwick & Mitchell?

Mr. SCANTLEBURY. Peat, Marwick & Mitchell internal memos which we obtained state that during a December 10, 1976, meeting, Peat, Marwick & Mitchell reported the embezzlement to the council's executive director.

Senator CHILES. Did they report the embezzlement to the Federal funding agencies?

Mr. SCANTLEBURY. We couldn't find any evidence that it had been reported to the Federal funding agencies, and they were not aware of it.

Senator CHILES. Did the council's executive director report the embezzlement to the Community Services Administration, to HEW, or to Ernst & Ernst?

Mr. SCANTLEBURY. We couldn't find any evidence, either, that the executive director reported the embezzlement to either HEW or to Ernst & Ernst. But on May 27, 1977, in a letter to the Chicago regional office of CSA, the council's executive director stated that non-CSA funds had been deposited by the finance director into a personal savings account and that disciplinary action may be taken.

Then, in a June 23, 1977, letter, the executive director notified the Chicago regional office of CSA that the deposits in the savings account involved mainly private funds, some Federal funds, but not CSA funds.

Senator CHILES. Were the embezzled funds Community Services or clearly HEW funds?

Mr. SCANTLEBURY. They were HEW funds.

Senator CHILES. Peat, Marwick & Mitchell was responsible for monitoring Community Services Administration funds, not HEW funds?

Mr. SCANTLEBURY. Right.

Senator CHILES. And Ernst & Ernst was supposed to monitor or audit HEW funds.

Mr. SCANTLEBURY. Yes.

Senator CHILES. So Peat, Marwick & Mitchell found something and they said, because that's not in the area that we're supposed to audit, we just notify the director.

Mr. SCANTLEBURY. That's essentially what happened. They did also——

Senator CHILES. But the director in turn did not notify HEW, to your knowledge. He just notified—in some letter or memo the Community Services Administration that there were irregularities in some funds that were not Community Service funds, and they'd been paid back, and we're looking into disciplinary actions.

Mr. SCANTLEBURY. As far as we know, HEW was never formally notified.

I believe Ernst & Ernst, the auditors for the HEW funds, were notified. At least we found an internal Peat, Marwick & Mitchell memorandum stating that they were notified on May 27, 1977, during a telephone conversation.

Senator CHILES. That Peat, Marwick & Mitchell called them and told them?

Mr. SCANTLEBURY. Yes.

Senator CHILES. All right. Then, to your knowledge and from what you can find, HEW was never notified of the embezzlement?

Mr. SCANTLEBURY. We notified HEW's officials in Chicago in June 1977.

Senator CHILES. Who was present at that meeting when you notified HEW's office?

Mr. RASPEN. It was George Holland, who was then the acting director of the HEW region; Howard White, the assistant regional director for audit; and Philip Jarmack, the assistant regional director for OHD.

Senator CHILES. OHD is?

Mr. RASPEN. Office of Human Development, I believe. I'm not really sure about that.

Robert Cavanaugh, Office of Investigation. Those were the people in attendance from HEW.

REPORT TO THE COUNCIL ON THE EMBEZZLEMENT

Senator CHILES. What did Peat, Marwick & Mitchell report to the Council on the embezzlement?

Mr. SCANTLEBURY. Their audit report for the period covering the embezzlement, which was dated August 27, 1977, was silent about the embezzlement. They didn't mention the embezzlement in their management letter which they issued to the council, either.

However, in a January 6, 1977, a confidential management letter to the Council's board of trustees covering the audit for the period February 1, 1975, to January 31, 1976, Peat, Marwick & Mitchell mentioned that there were weaknesses in current procedures allowing the same person to authorize and prepare checks for disbursement.

Senator CHILES. They mentioned that in a private confidential management letter in January of 1977. But yet, when the regular audit was done in August of 1977, which would have been later, some months later, they didn't mention that?

Mr. SCANTLEBURY. That's correct.

Senator CHILES. Well, they were auditing Community Services funds and they're not auditing HEW funds, is that right?

Mr. SCANTLEBURY. Yes.

Senator CHILES. Did Ernst & Ernst's audit mention the embezzlement?

Mr. SCANTLEBURY. No, Ernst & Ernst didn't mention it. They issued their report as of November 9, 1977, and they didn't mention it.

Senator CHILES. Why didn't they report it?

Mr. SCANTLEBURY. Ernst & Ernst told us they didn't report it because they were told by the executive director and a partner of Peat, Marwick & Mitchell that the embezzlement did not involve HEW funds.

Senator CHILES. And Peat, Marwick & Mitchell didn't report it because they were auditing only Community Services funds.

Mr. Scantlebury. That is what we were told.

CIRCUMSTANCES PERMITTING THE EMBEZZLEMENT

Senator Chiles. What circumstances permitted the embezzlement to occur?

Mr. Scantlebury. The council's control over funds had weaknesses. There were idle funds in various checking accounts and there was a lack of segregation of disbursing duties, a lack of internal control. The finance director specifically authorized all disbursements and signed all the checks.

Senator Chiles. There was no countersignature required? The Finance Director could do it all?

Mr. Scantlebury. Right.

Senator Chiles. The council—I understand from your report, though, he also continued to be able to do it all for several months after the embezzlement occurred, after the director was notified.

Mr. Raspen. Going back to your question of, was he the only one authorized, I believe there were two signatures required on the checks. However, they stamped them in with a check imprinting system, so that you really didn't need any signatures, and the council might have taken that stamping privilege away from him prior to that time. However, he was there to close the books.

CORRECTIVE ACTION BY THE COUNCIL

Senator Chiles. Did the council take any corrective action?

Mr. Scantlebury. The council tightened its control over funds. It provided greater segregation of duties and required more approvals over the disbursement of funds.

However, we found some disbursements were automatically approved without assuring that the disbursements were proper. For example, we found that normal procedures and requirements were disregarded and an overdue $8,000 food bill for six day-care centers was paid on the basis of Xerox copies of invoices, some of which were as old as a year and a half, and an additional $9,000 invoice is being considered for payment without original invoices for support.

This practice can result in duplicate payments. We've seen that happen a number of times, when you start paying from duplicate invoices.

Another example we found involved a transportation advance of $50 each to 10 persons when it was known that a bus had been chartered for the trip. Refunds have not been made currently by 8 of the 10 persons.

In addition, we found that the council still has inactive checking accounts. On December 31, 1978, 11 of the council's 21 checking accounts were inactive. These accounts totaled about $70,000, and some of the balances were 3 years old.

Senator Chiles. Why would there be $70,000 in inactive checking accounts 3 years old?

Mr. SCANTLEBURY. That's a difficult question to answer. I don't know. Some of the funds, I guess, would be left over from grant moneys that weren't used.

USE OF FUNDS OBTAINED BY THE EMBEZZLEMENT

Senator CHILES. Did you say that the council used the funds that were obtained by the embezzlement?

Mr. SCANTLEBURY. Yes. Our records indicate that after the money was returned they used all but $30,000 of it for program purposes.

Senator CHILES. Who in HEW is responsible for recovering idle funds?

Mr. SCANTLEBURY. The grant manager has that responsibility.

Senator CHILES. Was the grant manager ever informed of the embezzlement?

Mr. SCANTLEBURY. We talked to him in January of this year and he said he was not aware of the embezzlement at that time.

Senator CHILES. You stated in your report that HEW's investigation staff hadn't done any work in regard to the audit of Community United.

Mr. SCANTLEBURY. Yes.

Senator CHILES. That's when they said they were swamped with medicaid fraud investigations and other media-publized scandals, you said.

Mr. SCANTLEBURY. As of September 20, 1978, the Chicago HEW investigators told us that their office hadn't done any work on the alleged fraud and that their office was swamped with medicare fraud investigations and other scandals.

Senator CHILES. Did the Ernst & Ernst audit report disclose fraudulent activities here?

Mr. SCANTLEBURY. The Ernst & Ernst audit report on HEW funds was dated December 10, 1976, and it made no mention of possible fraud, although it did state that there were numerous weaknesses.

Senator CHILES. I see, they made no mention, even though they said there were weaknesses.

Mr. SCANTLEBURY. They said there were weaknesses in internal controls, but they did not mention fraud.

Senator CHILES. That report said that the auditing system, taken as a whole, was adequate to safeguard the assets and check the accuracy and reliability, is that right?

Mr. SCANTLEBURY. They said—the report concluded that, taken as a whole, the accounting system was adequate to safeguard its assets.

Senator CHILES. While GAO's audit found that there was fraudulent activity.

Mr. SCANTLEBURY. Yes. Based on the fact that $120,000 was embezzled, we think the internal controls were not sound.

Senator CHILES. Even when you discovered this situation and you listed all of the particular controls for particular problems, you were told that they had been corrected. When you went back and tested whether this was true, you found that in a number of areas corrections had not been made; is that correct?

Mr. SCANTLEBURY. That's right.

Senator CHILES. Do we know whether they've been made today?

Mr. STANZIALE. No, they haven't been made to date. All we stated here is corrective action. We found that what they state they were going to do, many times in fact it was not done.

Like in February, in the Community United area—we went out there last month. They initially stated they did not have their credit cards, because they were supposed to be canceled and eliminated. But in actual fact, they still had them and continued to use them for personal use.

EXISTING FUNDING PROBLEMS

Senator CHILES. Are there still funding problems in the agency—are you still finding problems there? Did you find another bank account which could put the agency in the same situation as before?

Mr. STANZIALE. Yes.

Senator CHILES. Again, the concern I have is that many times you get a GAO report and everybody writes you back a letter that says: "Yes, we were aware of these problems. We found them before they existed. Actions have already been taken to correct them." Then they even give you a detailed list of what they've done. They just hope you're going to go away and that you're never going to come back again.

Then later you go back and you find the same problems exist, and still no one has done anything about them.

Have you reported your findings to HEW and have you informed them that there are still problems with this agency? Who have you reported your findings to?

Mr. STANZIALE. We're still continuing our investigation at the council up to today, and we have not told them the complete audit findings, since we haven't concluded our work. But again, we plan to do that.

Senator CHILES. Based on the discussions that we just had, it seems like we're dealing with a rather complex funding to an organization made up of numerous sub and sub-subgrantees. In that instance, of course, control through auditing is an essential part of the fiscal integrity of Federal programs.

COMPREHENSIVE AUDIT

However, auditing through agency auditors, including CPA firms on individual grants, appears not to give us the complete picture of the organization's financial activities.

What is being done or could be done to provide a comprehensive audit of such organizations? Here we've got all these suborganizations. We seem to have problems with the parent, and because it's got mixed funds it's being audited by at least two different auditors. Then the subgrantees are audited by different people. They're all telling different stories, and no one seems to know really what's going on.

How could that be coordinated?

Mr. SCANTLEBURY. This is an area in which we've had a continuing interest. We've been advocating in the General Accounting Office what we call a single audit. This means that instead of auditing each grant separately, you make one audit that would cover all grants. In fact, in cooperation with an organization known as the Intergovernmental Audit Forum, we've developed an audit guide which is intended to be used for making a single audit. And we've been working with the Office of Management and Budget to get that audit guide adopted by various agencies.

The Office of Management and Budget has been very supportive. In fact, the President himself has made a statement in favor of the single audit. So we are trying to work out all the problems on it at this time with the Office of Management and Budget.

FEES PAID BY AUDITS

Senator CHILES. Do you know how much the Government paid Peat, Marwick & Mitchell for auditing in this area?

Mr. SCANTLEBURY. No.

Mr. STANZIALE. I think I recall one figure, like say for 1 year's audit, for one firm, roughly in the neighborhood of $30,000 to $48,000.

Senator CHILES. Do you know what we were paying Ernst & Ernst?

Mr. STANZIALE. I don't have that information offhand.

Mr. EGAN. Two separate individual firms.

Senator CHILES. We're paying two individual firms. These are tax dollars we're using to pay these firms, and the audits are not doing us any good, obviously, because no one's getting the information. One firm is saying, I'm not supposed to audit that, that's not my territory. So we're still seeing the money is being misused or embezzled with almost no control over the agency's actions.

COMPARABLE SITUATIONS

What is your view in relation to the second part of my request which I made to GAO? Does a comparable situation exist in other similarly funded or constituted grantees?

Mr. SCANTLEBURY. We have our Chicago, Boston, Seattle, and Norfolk regional offices currently working on similar grantees. We're not finding the same kind of abuses in all locations, but we are finding some questionable practices.

For example, our Chicago regional office is reviewing the action taken as a result of the Department of Agriculture report which stated that the Department of Human Services of the city of Chicago claimed reimbursement from HEW's title XX program and Agriculture's child care food program for the same food service costs between July 1974 and May 1977. The cost of food programs at 95 child care centers amounted to $1,800,000. Under the two programs combined, the city was reimbursed $2,550,000 or $747,000 more than the actual cost.

We understand that this money was later recovered by offset.

Senator CHILES. Some of that's called double billing.

Mr. SCANTLEBURY. Yes, sir.

At the Community Economic Development Association of Cook County, we're reviewing the method used to purchase buses. Our preliminary effort indicates that an affiliate organization called Community Action Services, Inc., purchased buses and then leased them to the Association.

COMMUNITY ACTION SERVICES, INC.

Senator CHILES. Who set up Community Action Services, Inc.?

Mr. RASPEN. The executive director of Community Services, Inc., is also the executive director of Community Economic Development Association. They're one and the same people.

Senator CHILES. So it's another entity under the same principal.

Mr. EGAN. Right.

Mr. RASPEN. Yes, it looks to be. We have not gotten into the finer points of the audit.

NUMBER AND USE OF BUSES PURCHASED

Senator CHILES. How many buses were bought and when?

Mr. SCANTLEBURY. They purchased 33 buses in July of 1978.

Senator CHILES. How did the organization pay for the buses?

Mr. SCANTLEBURY. They paid with $94,000 which was charged to the Head Start grant between August and September of 1978 and a $377,000 loan they obtained from a Chicago bank. The loan is being repaid in 60 monthly installments of $8,000, beginning in December of 1978. The initial payment was charged to the Head Start program.

Senator CHILES. Who signed the loan agreement and bill of sale?

Mr. SCANTLEBURY. It was signed by the executive director of Community Action Services, Inc., who is also the executive director of Community Economic Development Association.

Senator CHILES. Is this the first time that Community Action Services, Inc., purchased buses that were leased to the Community Economic Development Association?

Mr. SCANTLEBURY. No, they had previously purchased 22 1973 buses, which they had leased to the Community Economic Development Association.

Senator CHILES. Were the costs of purchasing these vehicles also charged to the Head Start grants?

Mr. SCANTLEBURY. Yes. The lease states that the Association will reimburse Community Action Services monthly for all payments, principal, and interest, on the notes payable relating to the vehicles, legal fees, and all administrative expenses of the lease.

USE OF MONEY OBTAINED FROM LEASES

Senator CHILES. What does Community Action Services do with the money that it's getting from these leases?

Mr. RASPEN. Presumably it pays the note that it has taken out at the bank to pay for the buses.

Senator CHILES. Is this just a wash transaction? Just sufficient money to do that?

Mr. RASPEN. I don't have that detail, but I believe that is so.

Senator CHILES. How much money was actually paid for leasing the 22 buses?

Mr. SCANTLEBURY. We don't have a complete answer to that yet. However, for the 7-month period ending October 31, 1978, the Association paid $119,000 to Community Action Services, and that $119,000 was charged to the Head Start grant.

Senator CHILES. Did Community Action Services trade in the 22 old buses when they purchased the 33 new buses in July of 1978?

Mr. SCANTLEBURY. No, they sold the 22 1973 buses for $84,825.

Senator CHILES. What did they do with the proceeds from the sale?

Mr. SCANTLEBURY. They deposited them in two interest-bearing accounts in a Chicago savings and loan association. One account is a certificate of deposit.

Senator CHILES. In whose names are these accounts?

Mr. SCANTLEBURY. Community Action Services, Inc.

Senator CHILES. In whose name are the 33 buses titled?

Mr. SCANTLEBURY. Community Action Services, Inc.

Senator CHILES. Do you know now what's happening to this Community Action Services, Inc., assets, the proceeds from the sale of these buses?

Mr. RASPEN. As of now they are still in the savings accounts. They have not been taken out.

Senator CHILES. This is a continuing investigation?

Mr. RASPEN. Yes, it is.

Senator CHILES. I sure hope it is. [Laughter.]

Does it appear that Community Action Services, Inc., is a dummy corporation?

Mr. SCANTLEBURY. I don't think we know that yet. We're not far enough along in our work.

Senator CHILES. Let me ask you this: Do you believe that the problems involving the buses would have been discovered through HEW's normal audit system if GAO hadn't gone in to make a special study?

Mr. SCANTLEBURY. I think it would be unlikely to find it in a regular financial audit.

Senator CHILES. It will be interesting to hear the results of your investigation as you go forward with that.

REVIEW OF VEHICLE SALES IN NORFOLK

I understand that your Norfolk office is also reviewing the sale of some vehicles. Could you tell me about that?

Mr. SCANTLEBURY. Yes. The Norfolk office is reviewing the sale of some vehicles purchased with Community Service Agency grant funds and subsequently sold to board members or employees at the Raleigh County Community Action Association.

Senator CHILES. How many vehicles were sold and what types of vehicles?

Mr. SCANTLEBURY. There were nine vehicles involved in the sale. There were five 1967 Scouts, one 1969 Chevrolet carryall, one 1962 Ford tractor, and one 1958 GMC bus, and one International truck with a well digger attached.

Senator CHILES. Basically those are some old vehicles. How much did they sell them for?

Mr. SCANTLEBURY. They sold them for $64 for all nine.

Senator CHILES. When did the sale occur?

Mr. SCANTLEBURY. Sometime between August 23, 1977, and October 11, 1977.

Senator CHILES. They were sold, I understand, to individuals who at the time were the chairman of the board of directors and the chief accountant and the son of the director of transportation?

Mr. SCANTLEBURY. Yes, our audit indicates that.

Senator CHILES. Was $64 a reasonable price for these vehicles?

Mr. SCANTLEBURY. We don't know that yet. We're looking into it. We know that the bus that I mentioned was used as collateral for a $1,100 loan, and that some of the vehicles were resold at prices higher than were paid for them. We haven't determined yet, however, whether there were any extensive repairs or work like that done that might increase the value of the vehicles. But we're looking into it.

Senator CHILES. If the bank would give you $1,100, it sounds like it's worth more than $64.

Mr. SCANTLEBURY. It sounds that way, yes, sir, but we don't know for sure yet.

Senator CHILES. I might have some other questions I'll submit to you all for the record, in the interests of time. If part of you could stay around in case we have questions of other witnesses that we'd like to refer back to you, we'd appreciate it.

Thank you very much, and I look forward very much to reading your reports.

CURRENT STATUS OF CLEVELAND SITUATION

Tell me this: What's the current status of the principals in the Cleveland situation? The finance director?

Mr. RASPEN. The finance director who committed the embezzlement, he has been terminated. He is no longer with the organization.

Senator CHILES. The executive director?

Mr. RASPEN. We understand the executive director is retiring. I believe it will be effective this coming Friday.

Senator CHILES. Thank you.

NONDEPARTMENTAL WITNESSES

STATEMENT OF HAROLD I. STEINBERG, PARTNER, GOVERNMENT SERVICE PRACTICES, PEAT, MARWICK, MITCHELL & CO.

PEAT, MARWICK, MITCHELL & CO.

Senator CHILES. Our next witness will be Mr. Harold Steinberg from Peat, Marwick & Mitchell.

Mr. Steinberg?

I appreciate very much your appearing. I understand it was a little inconvenient for you because it was such late notice. I know it wasn't your actual account, but we appreciate very much your appearing here.

I was also planning to have Mr. Elmer Whiten, the partner of Ernst & Ernst's Cleveland office who was responsible for these audits, to appear with you. I found out late yesterday afternoon that Mr. Whiten told our staff that he had been ordered not to appear by Ralph Findley, who was the executive director of Community Services, a man that we understood had retired last week. It doesn't sound like he retired quite last week if he was able yesterday to order Mr. Whiten not to appear.

Mr. Whiten said that he would like to appear, but on the basis that he had a confidential relationship between his client, Community Services, and his company, that he felt he had to honor that confidential relationship.

I don't know that I can question that either, recognizing that there is a confidential relationship between CPA's and their clients. But I'm particularly disturbed about that in this situation because, again, I think it shows the tremendous problems we have here.

The Federal Government and the taxpayers are paying Community Services, Inc. In other words, they're paying the salary of Mr. Findley. They're also paying the money for Ernst & Ernst, as they're paying the fees of Peat, Marwick & Mitchell.

We're here inquiring as to whether the Government's funds have been used properly, and we're told by one director whose salary is being paid by the Federal Government—or he tells his accountant, Mr. Whiten, that he doesn't want Mr. Whiten to appear or orders him not to appear. And Mr. Whiten, who is paid by the Federal Government, feels that he must honor that request.

We'll be asking some questions to Mr. Whiten in connection with this for the record.

If those questions can't be answered, we'll have to subpena Mr. Whiten and we may have to subpena Mr. Findley, too.

But, while saying all of that, I want to tell you again, I appreciate your appearing. I understand that you have had to be brought up to date on this.

AUDIT OF CSA FUNDING OF COUNCIL FOR ECONOMIC ACTIVITIES

According to the testimony from GAO, your firm audited the Community Services Administration funding of the Council for Economic Activities in Greater Cleveland in 1976.

Did your firm have prior experience in auditing the Council?

Mr. STEINBERG. I'm not sure on that. As you indicated, I'm not the partner responsible for that account. But I am in the Peat, Marwick & Mitchell department responsible for Government practice. So I'm familiar with the overall situation. But some of the details that you mentioned, I'm not sure.

I would venture we were and we still are the auditors of the CSA grant, so it is a continuing relationship.

Senator CHILES. With respect to the 1976 audit of the council, can you tell me how long that audit took and how many people were assigned to it, and who was in charge, and what did your firm charge for it?

Mr. STEINBERG. The only question that I can answer is the name of the engaging partner, namely John Phillips.

Senator CHILES. You don't know what the firm charged for the audit?

Mr. STEINBERG. No.

DISCOVERY OF THE EMBEZZLEMENT

Senator CHILES. What information did the auditors receive from the bank officials which led to the discovery of the embezzlement?

Mr. STEINBERG. I believe the information that was received was that substantial deposits on the part of certain individuals connected with the organization—it was that that triggered us to look much harder and extend our auditing procedures into the funds that we were auditing, to see whether there was any embezzlement or problems with the funds that we were auditing.

Senator CHILES. How long did it take your firm to audit, verify, and document the embezzlement?

Mr. STEINBERG. Again, I don't know the number of hours. I know that we did come across the irregularity, the embezzlement, once we extended our audit procedures.

Senator CHILES. Do you know whether your firm increased its fee to do the embezzlement segment of the audit?

Mr. STEINBERG. No, I do not.

Senator CHILES. Would you check that for us and let us know for the record on that?

[The information follows:]

We billed the Council for Economic Opportunity $4,600 for special services rendered relative to the irregularity.

1976 AUDIT OF THE COUNCIL

Senator CHILES. With respect to the 1976 audit of the council, when was the final report of that audit issued?

Mr. STEINBERG. Again, I would not have the date on that.

Senator CHILES. Do you know whether your firm reported the embezzlement to anyone else?

Mr. STEINBERG. We reported the embezzlement to the executive director, the chairman of the board, and the Council for Economic Opportunities. The council, I believe, was also notified. It was indicated that we advised E. & E. that there were some problems.

Senator CHILES. E. & E. are the initials you use for Ernst & Ernst?

Mr. STEINBERG. That's right.

Senator CHILES. You did advise them that you had found problems?

Mr. STEINBERG. What we did—again, because of the confidentiality aspects from our viewpoint, our posture during the whole time was that we were pressuring and urging and so forth the organization, more specifically the executive director, the chairman of the board, the council, as I said, to report the irregularity to CSA, HEW, and E. & E., the auditors of the funds in which the defalcation took place.

As a precaution, we kept in constant touch with E. & E. to see whether or not that advice had been passed on to them.

Senator CHILES. You kept in touch with Ernst & Ernst to see if that advice you were giving to the management was being passed on to Ernst & Ernst?

Mr. STEINBERG. Right.

Senator CHILES. So you kind of informed them that there was a rotten egg in the nest.

Mr. STEINBERG. Again, not being the one that had the telephone conversations, I can't say what the exact wording was. But I would assume that a person could draw a reasonable inference as to why we were interested.

MEETINGS WITH THE COUNCIL AFTER DISCOVERY OF DIVERTED FUNDS

Senator CHILES. According to GAO's testimony, once the diverted funds were discovered, your firm had a number of meetings with the council over a 7-month period—you were talking about that.

Do you know how many meetings were held with the council and what was the nature of the discussions?

Mr. STEINBERG. I can't say exactly how many meetings were held, but I can say that a dozen would be a number that would characterize it.

The nature of the discussion was basically as has been suggested, that our problem was that absence—irregularities in the CSA funds that Peat, Markwick was auditing—we felt that there was nothing that these auditors could report to CSA.

Nevertheless, we felt that we did have a responsibility to be involved, and we did get involved the best way we could. We pressed the chief executive, board chairman, and our outside counsel; and I think the GAO record shows that too No. 1, release the comptroller and, No. 2, to notify CSA, HEW, E. & E.. And that was basically the nature of the meeting.

REQUIREMENT TO REPORT EMBEZZLEMENT

Senator CHILES. Under your guidelines, didn't you—or your company, think that an embezzlement required you to report that to the FBI, Justice, the Office of the Inspector General or someone with law enforcement powers?

Mr. STEINBERG. I think you're getting to the heart of the problem, Senator.

Senator CHILES. Yes, sir.

Mr. STEINBERG. It's not a matter of feeling. I don't want to say that we don't, but there are a lot of—absence of guidelines. For example, we start with the audit guide for CSA publishers to more or less guide these audits.

But guide these audits. In this case the language was so broad that we could not point to it in saying that this is the reason why we must go to CSA.

From what I understand, there is no specification or requirements in the grant agreement between CSA and CEO, which would require CEO to go to CSA and point out the defalcation. If there had been, it would have been a violation of that, and we could have at least reported that.

It was my understanding that there was nothing in the HEW audit guide that would require us to report it.

So these guidelines that we were working under at the time made the problem.

Senator CHILES. Are those guidelines changed now?

Mr. STEINBERG. I can say that another way we got involved is that Peat, Marwick brought to the attention of the intergovernmental audit format and the GAO, various procedural weaknesses. I think several things have happened—I don't understand—again, I know that the governmental audit foreman recommended changes in the OMB circulars, require that grantees notify the grantor in case of any irregularities and defalcations.

The foreman has recommended to provide the board of auditors with the authority to advise the grantor if the funds are subject to irregularity, even if its not the funds that he'd been hired to audit.

Certain grantors—I believe Commerce, for one—have actually recognized the problem, and they've changed their auditing guide.

CSA, from what I understand, plans to change its audit guide.

Senator CHILES. Plans to, but is it now?

Mr. STEINBERG. I don't know. I haven't seen it.

Senator CHILES. Do you know of any that have changed their guidelines?

Mr. STEINBERG. Commerce, as I said.

Senator CHILES. Commerce is the that only one you know of?

Mr. STEINBERG. Right.

Senator CHILES. I am looking at the language in the guideline that was in the CSA manual of January 1975, audit system survey and audit guide for CSA grants; and it says:

If during the course of either this survey or audit the auditor uncovers any defalcation, any theft of material, waste, or loss, requiring immediate action by the grantee and/or Office of Economic Opportunity, the auditor should promptly notify the grantee, and the Office of Economic Opportunity, and the regional auditor.

It didn't go further than that?

Mr. STEINBERG. And that's the language that is evidently vague enough to—what should I say?—influence the intergovernmental audit foreman to recommend the change to, and there is some ruling which they recommend to the audit guys to handle that kind of thing, which is far, far more specific.

Senator CHILES. Did your firm—when filing a report on the audit—fully discuss the embezzlement?

Mr. STEINBERG. I'm not sure, but I'm not really aware.

Senator CHILES. I wish you'd check that for me and let me know that for the record.

[The information follows:]

We comment specifically in our management letter about cash disbursements weaknesses relative to the fact that accounting department personnel are allowed to prepare, sign, authorize, and issue checks and a weakness as a result. No specific reference was made to the irregularity, however, in the letter pertaining to the grant from the Community Services Administration.

USE OF TWO ACCOUNTING FIRMS TO AUDIT A SINGLE AGENCY

Senator CHILES. What do you think about the use of two accounting firms to audit the records of a single agency? Do you think that's an efficient way for the Federal Government to do business—to have two or more accounting firms auditing—the parent here, who had all of these subgrantees?

Mr. STEINBERG. I'm glad you asked me that.

No, not at all. If anything, I think the whole approach to these audits is wrong.

If I can take a moment, let me characterize what the present approach is. Currently, we do have different auditors for each grant. When that happens, you not only are paying more than you need to pay for the audits, but you have a lot of opportunities for things to fall between the cracks, such as in this instance.

Second, because you basically have to pay several auditors, the grantees, in order to reduce the amount they have to pay, do try and get away with paying auditors as little as possible. And this does effect the thoroughness and comprehensiveness of the audit.

Third, because of this, you have several auditors involved. The audits are done on a test basis. In other words, the auditors do not look at every single transaction, they only look at some. Therefore, they're limited to the number of irregularities that they might find. And the Federal Government limits the amount of recovery it could get as a result of the audit.

Fourth, your main audit for control—that's what this is—is the auditors hired by the grantee. And you can assume that the relationship—I'm not saying necessarily the responsibility, but the main relationship is with the grantee.

Finally, the audits—not getting into the efficiency and economy and the program results and you're thinking about saving taxpayer dollars—that's where the real problems and the real opportunities are.

If you wanted to improve the process, and it would seem to me that you start out by not permitting each grantor to require his own financial statement audit. That's just encouraging inefficiency.

It would seem to me that a better approach would be that Congress and OMB require that the grantors rely first on financial statement audits and internal control reviews, but are currently done and attested to by the grantees primary auditor—in other words, the auditor of the tunnel agency—that the grantors then review these, and any they feel indicate the poor controls over spending, or exceeding the budget, for whatever other reason they feel is appropriate, plus perhaps some sample rotating tests, that they send in investigatory auditors, hired by the grantor, not the grantee, to look at 100 percent of the expenditures not a test of the expenditures. And it would seem to me that the traditional disallowances that would occur from that process would more than pay for that audit coverage.

Third, I think the grantors should devote their efforts to developing the efficiency, and the economy, and effectiveness standards with which those aspects of a grantee performance could be measured, and then to help these agencies install the data systems so that auditors can audit an efficiency, economy, and effectiveness standard.

Senator Chiles. I think the points you raised are very, very valid, and we would be following those up in our hearings with OMB, as they present their budget, and try to determine what we can do to change these controls, because its obvious now that the Federal Government is paying a lot of money for all of these audits. And we might as well be throwing some of that money out the window because of what can fall through the cracks.

So not only is it a waste of funds, we're not getting any kind of a control function on them.

Mr. Steinberg. I tend to agree with you.

Senator Chiles. Thank you very much for your appearance here today.

Our final witness will be the Inspector General of the Department of Health, Education, and Welfare, Mr. Morris.

Mr. Morris, before I question you, I did have a couple of questions I wanted to ask to Mr. George Holland, who is the former—Acting Regional Director.

Mr. Holland, would you come forward.

Council of Economic Opportunities in Greater Cleveland

STATEMENT OF GEORGE HOLLAND, FORMER ACTING DIRECTOR, REGION V, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, CHICAGO, ILL.

Senator Chiles. According to the testimony from GAO, HEW was notified of the $120,000 embezzlement from the Council of Economic Opportunities in Greater Cleveland in June of 1977.

At that time, you were the regional acting director?

Mr. HOLLAND. Yes, sir.

Senator CHILES. How long were you in that position?

Mr. HOLLAND. I was in that position from February of 1977 through October of 1977.

Senator CHILES. Were you present at the meeting where GAO notified HEW of the embezzlement?

Mr. HOLLAND. I called the meeting. GAO contacted me, and I called the meeting on June 17, 1977, involving persons that would be interested in this case.

Senator CHILES. Who else was present at that meeting?

Mr. HOLLAND. The Regional Auditor, Mr. White; the Office of Investigation, Mr. Carinaw; the head of OHD, Mr. Jarmak; the FBI agent, Mr. John Mosworth; and I believe Mr. Belinsky from GAO, I'm not sure.

ACTION TAKEN TO RECTIFY WEAKNESSES IN THE SYSTEM

Senator CHILES. After being notified of the embezzlement by GAO, what action did you take as the acting regional director to rectify the weaknesses in the system which allowed the situation to occur?

Mr. HOLLAND. Two or three things came out of that session: One, the actual theft itself and a criminal action. This was discussed with the FBI; they moved rather rapidly on this case and I believe, by the end of June, had an opened case in Cleveland and moved, as we heard earlier, toward conviction of the individual, which took care of the criminal case.

On the internal auditing control and the other problems that came up at the session, the question was asked at the time—it gets back to your earlier statement—could HEW go in and do a broad range of audits for all Federal agencies in Cleveland?

My answer was it would be very difficult, but of course that decision would be still up to the regional auditor, because we didn't have the facilities, nor would Labor or the other agencies be too happy when we came in and started doing audits on their programs.

What we did in this case was get a hold of Mr. Phil Jarmak, who was the Office of Human Development person, who also has his grant management staff. And if my memory serves me correctly, after this session I talked with Mr. Jarmak, and he assured me that he would work with his grants people to either work with his grants people or a State field rep to find out what was going on in Cleveland and work with Ernst & Ernst to start cleaning it up.

SIMILAR CASES OF FRAUD AND EMBEZZLEMENT

Senator CHILES. How many other times were you notified of similar case of fraud and embezzlement during your tenure as acting regional director?

Mr. HOLLAND. I imagine we probably ran into one or two of those cases a month, but "probably"—that's a guess. The severity of the cases would vary. Sometimes it would be a phone call, sometimes the FBI, sometimes our own regional auditors.

DISCUSSIONS WITH THE GRANTEE

Senator CHILES. What discussions did you have with the grantee after learning of the embezzlement?

Mr. HOLLAND. I don't believe I had any. That would be turned over to Mr. Jarmak. It would be under the Office of Human Development.

CONTACT WITH ERNST & ERNST OR PEAT, MARWICK & MITCHELL

Senator CHILES. What contact did you have with Ernst & Ernst or Peat, Marwick and Mitchell after learning of their failure to report the embezzlement?

Mr. HOLLAND. That, again, was through Mr. Jarmak.

Senator CHILES. Do you know what Mr. Jarmak did? Wouldn't he be under you, as the acting regional director?

Mr. HOLLAND. The structure of the regional director is somewhat different than many people think. Mr. Jarmak is head of OHD. While he worked very closely with the regional director, there are also contacts with the national office, the same with the regional office, and the Office of Investigation.

But I indicated earlier I did talk with Mr. Jarmak and requested that he follow up on this and to take action with Ernst & Ernst and with Mr. Findley in Cleveland.

Senator CHILES. Do you know what followup you did?

Mr. HOLLAND. I don't know. I contacted Mr. Jarmak in Phoenix. He's no longer with HEW, and he did not have that much information on the case.

Senator CHILES. The assistant regional auditor, and the man from the Office of Investigations, do they report to the Office of the Inspector General?

Mr. HOLLAND. Yes, sir. But at the same time, there is a cooperative work relationship with the regional director.

RESPONSIBILITY FOR AUDITING FUNDING OF GREATER CLEVELAND COUNCIL

Senator CHILES. Who is currently responsible for auditing the HEW funding of the Greater Cleveland Council?

Mr. HOLLAND. Repeat the question, Senator?

Senator CHILES. Who is currently responsible for auditing HEW funding of the Greater Cleveland Council?

Mr. HOLLAND. I assume it would still be Ernst & Ernst.

ACTION TO AVOID SIMILAR CASES

Senator CHILES. What action, if you know any, has HEW taken to assure that similar cases of not reporting by private accounting firms are not taking place?

Mr. HOLLAND. On this particular case—Mr. Morris might want to address this in more detail—it's been a continuing problem with Ernst & Ernst on the acceptability of their audits coming into Chicago. I believe there are some serious questions on all three audits that have been submitted to HEW.

As far as any ongoing activity, I'm no longer in that position, and I wouldn't be able to address that question.

RELATIONSHIP BETWEEN REGIONAL DIRECTORS AND THE OFFICE OF INSPECTOR GENERAL

Senator CHILES. What's the relationship between HEW regional directors and the Office of Inspector General in dealing with cases of fraud or other abuses of HEW funding?

Mr. HOLLAND. Again, I would have to say I've been out of that position since October, and I don't know the guidelines and the process that they presently use between the director and the office.

ACTION TAKEN TO REMEDY THE SITUATION

Senator CHILES. As the acting regional director, at what point did you take action to clean up this situation? Did you just turn it over to the other fellow, Mr. Jarmak?

Mr. HOLLAND. I turned it over to the person who runs the program, who ran the OHD program, and who was responsible for that.

Senator CHILES. But you don't know what he did?

Mr. HOLLAND. I contacted him in Phoenix, and he did not recollect the case that much, and he could not tell me what he did.

Frankly, I didn't have enough time to find out whether he sent a field rep or what he did. He might have sent some man to Cleveland.

INVOLVEMENT OF THE PROGRAM MANAGER

Senator CHILES. Do you think that embezzlement of this type is something with which the program manager should be concerned?

Mr. HOLLAND. The program manager should be concerned, plus the regional auditor and the FBI.

Senator CHILES. You never threatened to cut off funds for the agency because they haven't cleaned up their act?

Mr. HOLLAND. I did not have that authority. That authority would rest with OHD.

Senator CHILES. Thank you.

Mr. HOLLAND. Thank you, sir.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF THE INSPECTOR GENERAL

STATEMENT OF THOMAS D. MORRIS, INSPECTOR GENERAL

Senator CHILES. Mr. Morris, I have your statement in full, and we'll put it in the record.

If you could read that in any form you'd like, it would help with any complications.

Mr. MORRIS. I'd like to be very responsive to your interests, Mr. Chairman.

My statement was prepared as a normal budget statement. I had no idea of this morning's agenda until 2 days ago. I had other hearings to prepare for and very little opportunity to get acquainted with the facts.

I'd like—if you would indulge me about 5 minutes—to just give you an overview of our office.

Senator CHILES. Yes, sir.

Mr. MORRIS. We are a totally centralized operation—that is, the audit function and the investigations function are my personal responsibilities reporting directly to the Secretary. In fact, the statute which you gentlemen drew in the past (Public Law 94–505) requires it to be that way. Mr. Holland does not have any responsibility for overseeing audit or investigations, nor do his counterparts elsewhere. We have more than 50,000 grantees in this country who must be audited. What we've been talking about this morning has been 1 case of the more than 50,000. My agency turns out 4,100 audits a year—those which we do ourselves, plus those of CPA's and contract auditors. We are responsible for reviewing their reports.

Last fiscal year we found $154 million of questionable costs through these audits, which we're now pursuing with the operating agencies. There'll be an agreement on these costs, and where it's proper we do collect. We have an automated system into which we process 10,000 recommendations growing out of these 4,000 reports on an annual basis. We endeavor to track those recommendations through this system to an ultimate conclusion.

Sometimes we fail. In this instance, it sounds like the system didn't work well enough.

In the investigations field, we now have over 1,500 cases of potential criminal fraud under active investigation by HEW inspectors, either in my office, in the Social Security Administration or in the Health Care Financing Administration—over 1,500. In my own office I have 135 people. I had only 60 a year ago, when this case came up. My office handles all of the major cases.

Mr. Cavanaugh, our Chicago special agent in charge, had no way of stopping perhaps 100 other cases to jump into this one when the FBI was on the site and willing to do it.

PERSONNEL INCREASES

Senator CHILES. Let me, if I might, just stop you right there. This question has come up before. But I want to again have it for the record.

You have an increase in people over what you had a year ago. How much increase is provided in the budget now for additional personnel?

Mr. MORRIS. Sir, in the current budget, we requested no increase of in-house personnel. We're asking for $1 million of additional contract support.

Senator CHILES. How many additional personnel do you need?

Mr. MORRIS. The additional personnel we need in the near term is audit staff. We are now doubling our investigative staff. It will grow this year, if everybody is willing, to over 180 investigators.

Senator CHILES. Is that about as rapidly as you can grow in a proper way?

Mr. MORRIS. Yes, sir, to select proper people, train them.

Senator CHILES. I understand that and I realize that if you try to throw too many people in at one time you can't do it properly. Is that as fast as you can properly grow?

Mr. MORRIS. Yes, sir. As fast as we properly should grow in the investigative function.

Senator CHILES. All right. How about the auditing?

Mr. MORRIS. Just to finish my previous answer—the investigative function is essentially a new one, Mr. Chairman. It did not really exist 2 years ago, except in a nucleus form.

The audit organization is a well-established group in terms of its management capability. We originally asked for 100 more auditors in this budget and were denied that on the grounds that there were other priorities.

I would like to grow at a rate of at least 100 additional auditors a year. I have 1,000 now. I need over 2,000 auditors to do an adequate job.

I testified before Senator Muskie the other day that we feel confident we can save HEW another $100 million through annual audit findings if we can staff up to do the whole job. The point is that we're doing about half the job today. We can't staff up in 1 or 2 years—but we ought to do it in a systematic, orderly, planned way.

Senator CHILES. But your testimony at that meeting was that you could use another 100 auditors?

Mr. MORRIS. Yes, sir, and that's what my statement today says.

Senator CHILES. I'm going to try to help you get that 100 auditors.

Mr. MORRIS. Thank you, sir.

I might just finish by saying that we're now writing our second annual report, which the law requires. And in that report, we're proud that we're able to lay out for you as accomplishments last year 105 criminal convictions of providers and grantees of all types. That number includes several of exactly the type we're talking about this morning—we personally developed the cases through our audits and our investigations.

We have another chapter on audits which highlights the results of the several thousands of audits that we do with our own staff.

I'd be pleased to furnish you the information for the record. It will be in the report which will be released within the next several weeks.

Senator CHILES. We'd like that for the record.

Mr. MORRIS. Fine, sir.

[The statement and information follows:]

STATEMENT OF THOMAS D. MORRIS

We are pleased to appear before you today to discuss our efforts in the past fiscal year and to present our budget request for fiscal year 1980. We have made progress toward accomplishing the goals established for us by the Congress, but much remains to be done. Our workload continues to increase as we uncover new opportunities to detect and prevent fraud and abuse.

We now have some results of two new computer matching projects. These are:

--Project Match II which involved a match of 2.8 million Civil Service records against 4.9 million current SSI recipients. This match, completed on December 11, 1978, revealed 10,105 initial matches. These matches are being reviewed, and all cases where there is sufficient evidence of fraud will be referred to the appropriate U.S. Attorney.

--Operation Cross-Check which compared Federal civilian employees with those in default under the Guaranteed Student Loan program. As a result of this effort, 3,297 individuals have either paid in full or were in repayment status as of January 7, 1979. We also matched the Student Loan Default list with a list of active duty military members. This revealed an additional 9,930 cases and defaults amounting to $8.3 million.[1]

We have also established a Hot Line intended primarily for HEW employees, for the oral reporting of complaints and information. We are conducting a publicity campaign to make it known to every HEW employee, and special attention is being given to protecting the confidentiality of informants and protecting so-called "Whistle-Blowers" from reprisals.

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[1] These results were previously reported to Congress in our Seventh Quarterly Report on February 15, 1979.

The success of these projects and others such as Project Integrity and the Project Match I cannot be measured strictly by the numbers of indictments, prosecutions, and convictions. We believe that their most beneficial effect will be to discourage individuals who may consider defrauding HEW programs in the future. We make every effort to publicize the success of our efforts nationally. This is to alert both concerned taxpayers and potential criminals that HEW is seriously committed to providing services only to those who meet the requirements of the law and are truly in need of assistance.

In addition to these special projects we have been providing an increased level of audit services for the Department and over 50,000 non-Federal agencies which execute HEW and other Federal programs. The size of the Audit workload and the commitment of Audit personnel to special projects have required us to rely to some extent on contract audit support by qualified outside auditors. In fiscal year 1979, the Congress granted a total of $2.25 million for such contract audits, and we are requesting an additional $1 million for 1980. This is the only additional authority requested in our fiscal year 1980 budget.

The Office of Investigations has also had a dramatic increase in workload, much of it generated by the special project initiatives. The Investigations staff is being augmented by the 100 new positions authorized in the FY 1978 supplemental. It will also be strengthened by 20 positions transferred with their workload from the Office of Program Integrity, HCFA. No additional staff for the Office of Investigations is being requested for fiscal year 1980.

The Office of Health Care and Systems Review is the principal "research and planning" arm of the OIG with a hand-picked group of senior experts in program areas and management systems, and with operating experience in State agencies. Its activities cover a broad range and include a review of the purchase of services under Title XX of the Social Security Act, special studies of the chain ownership of institutional health-care providers, and investigation of possible abuses of institutionalized care for foster children. The current staff contains 40 positions and no new positions are requested for fiscal year 1980.

FY 1980 BUDGET REQUEST

We are requesting a total of $39,868,000 plus $4,194,000 transfer from trust funds for a total of $44,062,000. This represents an increase of $3,642,000 over fiscal year 1979, composed as follows:

--$28,000 for the Immediate Office.

--$2,642,000 for the Audit Agency including $1 million to raise the level of outside contract audit support by an additional 30 staff years.

--$380,000 for the Office of Investigations.

--$81,000 for the Office of Health Care and Systems Review.

--$511,000 to fund a decrease in the transfer from Social Security trust funds.

The authorized staffing for our Office would be unchanged at 1,244, as follows.

OIG COMPONENT	CURRENTLY AUTHORIZED	ADDED BY 1978 SUPPLEMENTAL	ADDED BY 1979 BUDGET	FY 80 TOTAL
Immediate Office	10	-	-	10
Health Care & Systems Review	40	-	-	40
Office of Investigations	114	100	-	234[a]
Audit Agency	900	-	60	960[b]
TOTAL	1,064	100	60	1,244[a]

[a] Includes a transfer of 20 positions from the Office of Program Integrity.
[b] Is supplemented by an additional 93 reimbursable positions.

We would now be pleased to answer the Committee's questions.

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HIGHLIGHTS OF AUDIT EFFORTS
CALENDAR YEAR 1978

This past year, the Audit Agency issued 5,652 reports of which 4,226 covered HEW-financed programs and activities -- 1,459 were prepared by the Department's audit staff and 2,767 by public accountants and State auditors. The remainder were audits performed for other Federal agencies under an OMB system for audit cognizance. These reports covered a wide range of activities, involving thousand of diverse and geographically dispersed entities that carry out HEW's programs-State and local governments, educational institutions, nursing homes, insurance companies, many types of other nonprofit organizations, as well as numerous Departmental headquarters and field installations.

Audits were concerned primarily with financial accountability for some $19.3 billion expended by HEW grantees and contractors. Where appropriate, the audit reports also considered the efficiency and effectiveness with which these monies were spent, and they contained numerous recommendations for improved management controls and operations. The audits identified $143.8 million for consideration by POCs as not having been spent in accordance with regulations, terms, or other criteria requiring management attention. During this same period, POCs concurred in audit recommended financial adjustments totaling $54.8 million, many of which stemmed from reports issued in prior years. The auditors also contributed substantially to Project Integrity, Project Match, and investigations, which are discussed elsewhere in this report.

In the following parts of this Chapter, some of the more significant audit findings are highlighted under the general program categories of health, education, income maintenance and human development, and HEW administration.

A. Health

We issued 186 reports on health programs covering $4.1 billion in expenditures. Most of the reports dealt with the Medicaid, Medicare, maternal and child health, and community health services programs.

1. Medicaid

During FY 1979 an estimated $21.2 billion ($12 billion Federal share) will be spent by States on medical care for their low-income population. Audit activity on the Medicaid program in CY 1978 included work in 38 States. We continued to emphasize our reviews of payments by States to medical providers and the costs claimed by States for administering the Medicaid program.

Reports on 13 States identified various kinds of improper payments to providers, or questioned the allowability of certain State-claimed administrative costs. Payment problems usually occur when claims processing systems do not have adequate checks into eligibility factors; review of services; duplicate payments; the reasonableness of claimed costs; and third party liability. To illustrate the types of problems encountered:

- In checking into one State's payment operations, we found disbursements to providers for recipients who were no longer eligible or whose continued eligibility had not been redetermined as required. We also noted payments for durable medical equipment without evidence that its purchase had been authorized by a licensed medical practitioner, and we reported excessive amounts paid for patient transport arrangements.

- Another State's system did not identify over 12,000 aged and disabled Medicaid beneficiaries also covered by Medicare; benefits cannot be paid by Medicaid if a third party insurer such as Medicare is also liable. A second major weakness involved the accuracy of various State-produced reports intended to assist State and Federal staffs in managing Medicaid. There were serious understatements of benefits paid when compared to the State's regular expenditure report. Also, physicians had been overpaid by an estimated $316 thousand (Federal share $158 thousand) during a nine month period because the State agency had not instructed its fiscal agent to impose a State-mandated reduction in certain physician fees.

- A system used by one State to detect duplicate claims filed by providers was ineffective. We found actual duplicate payments of about $306 thousand and estimated the probability of additional duplicate payments of $239 thousand.

Toward the end of the Calendar Year, in keeping with the Secretary's high concern and interest, we initiated special audit plans for abortion and sterilization programs funded with HEW appropriations. Audits of abortion programs in twelve States are focusing on whether HEW funds are used only for specified circumstances allowed under law (rape or incest; where the life of the mother is endangered; and severe and long-standing physical health damage to the mother would result). Audits of sterilization activities in eleven States -- to begin on-site in April 1979 -- will determine whether the rights of the individual were adequately protected, and whether required documentations was present before payment.

2. Medicare

This broad program of health insurance involves about 26.5 million beneficiaries, with estimated Federal expenditures in FY 1979 of $29.5 billion. Each year substantial audit effort is spent to see whether Medicare claims processing systems produce timely and accurate benefit payments -- and that administrative costs claimed by Medicare's intermediaries and carriers are allowable. During Calendar Year 1978 we completed 63 reviews, covering $1.6 billion in paid benefits and $416 million in administrative costs.

We continue to find problems. For example, one large carrier's claimed costs were overstated because it (a) used inequitable and inappropriate methods to allocate executive salaries and certain indirect costs to Medicare ($652 thousand); (b) incorrectly claimed costs relating to State examining, accounting and legal fees ($248 thousand); (c) claimed unallowable consultant and long-range systems planning costs ($510 thousand); (d) charged for a State tax ($494 thousand) levied on its own commercial business; and (e) improperly claimed such other unallowable costs as EDP charges and telephone expenses ($583 thousand). Also, the carrier incorrectly computed by $326 thousand a credit due Medicare for certain costs that also benefited the carrier's private insurance business.

Since July 1973, Medicare pays for the treatment of chronic kidney disease for most Americans. Our review of renal dialysis claims submitted by hospitals in one geographical area disclosed certain flagrant billing practices. We alerted all audit staff so they could be aware of such practices in current and future program reviews. Specifically, we found that one hospital was routinely submitting claims for renal dialysis for "no show" patients. Also, three hospitals were charging for certain lab tests whether or not they were actually performed.

Another area of special audit attention during the year related to billings for services after beneficiary's death. Medicare claims are ordinarily paid by Medicare carriers until they receive notice from HCFA of the beneficiary's death. In FY 1977, HCFA notified carriers that more than 3 million claims totaling over $163 million, appeared to relate to medical services rendered after the beneficiary had died. We verified that about 94,500 ($4.8 million) should not have been paid and most of these may be recovered by the carriers from the providers. We found also, though, that other claims -- paid before the deaths of these beneficiaries had become known -- were not checked to see if they also covered services after the date of death. To correct this problem, we recommended that HCFA make certain changes in its computerized and manual systems and require carriers to identify and recover claims paid for services alleged to have been provided after death.

3. Section 1864 and 1902 Audits

State agencies certify health care facilities for participation in Medicare/Medicaid. Costs incurred in certification, licensure and survey of participating providers are reimbursable. Besides reviewing the allowability of claimed costs, we check to see that certifications are timely and consistent with required scope. In 1978, 14 audit reports were issued which questioned about $5.3 million claimed by the States.

To determine the adequacy of one State agency's survey, we initiated a resurvey of 16 nursing homes. Regional HEW nursing home specialists conducted the survey work. Results showed numerous violations of health and sanitation standards (e.g., lack of physician care, serving food under unsanitary conditions, etc.). There were also violations of Life Safety Code requirements (e.g., inadequate smoke barriers that went undetected by State inspectors).

Many deficiencies went undetected because of inadequate State inspection procedures. In other cases there was confusion in interpretating some Federal requirements; poor training of inspectors in some evaluation areas; and limited supervision of inspectors. Appropriate recommendations were made to overcome these problems.

Audits also continued to find significant overstatements of claimed administrative costs. Improper rates were used to distribute costs; costs of inspections relating to State licensure were charged to the Federal Government; and budget estimates rather than lower actual costs were used when seeking reimbursement. Also, in some States -- because of inadequate documentation -- we could not render an opinion on the allowability of some costs.

4. The Maternal and Child Health (MCH) Program

The purpose of the MCH program is to extend and improve services for reducing infant mortality and otherwise promoting the health of needy mothers and children.

In reviewing one State's program we found errors connected with costs claimed; with the adequacy and degree of State supervision of MCH projects; and with the amount determined as the State's share of program costs. We recommended that the State make appropriate procedural changes to correct identified problem areas, and also make a financial adjustment of $7.5 million.

As a result of these disclosures, the Secretary directed that MCH program audits be made of additional States to determine if the conditions we found were widespread. At the close of the year, audits were in process at six additional States.

5. Community Health Services and Other Health Organizations

Audit coverage of community health and other health organizations was provided on a limited basis to see how well selected grantees operate, what their problems are, and to consider the need for additional financial controls.

One audit concerned a grant awarded to a City, for a Community Neighborhood Health Center program. The City, in turn, had contracted with a private firm to operate the Center. The City's responsibilities were to monitor operations and require the contractor to submit documentation supporting grant expenditures. Shortly after the grant expired, the contractor filed for bankruptcy.

The audit disclosed that neither the City nor the contractor were able to provide adequate support for claimed grant costs of $810 thousand. Further study disclosed the contractor's petition for bankruptcy listed equipment purchased with grant funds as an asset (cost: $349 thousand). Recommendations called for a financial adjustment of $810 thousand if proper support was not furnished. Also, that the Trustee in Bankruptcy be advised that the property discussed is not the contractors, and may not be sold to satisfy his liabilities.

A neighborhood health center in another city had poor financial controls and was not making the most effective use of physician time. Physicians were treating 1.5 patients per hour instead of the targeted 2.7. Efforts were minimal to obtain third party reimbursement for services furnished. Recommendations were made to improve the Center's operations in these areas.

We continued our audit coverage of professional standards review organizations (PSRO). An audit at one of these organizations revealed situations that were so serious the Department concluded the PSRO was not a responsible contractor, and its contract was not renewed. Large data service costs and physicians advisor costs were charged in excess of specific contractual limitations, there were problems with charges for equipment purchased with Federal funds, and the PSRO refused to provide us required documentation.

B. Education

Audit activities for educational programs covered student financial assistance and research funds at institutions of higher education as well as compensatory and vocational education programs at State agencies and selected local school districts.

1. Student Financial Assistance (SFA)

During Calendar Year 1978, the Audit Agency processed 983 reports on student financial aid programs. These audits continue to disclose problems -- specifically in the areas of student eligibility and grant and loan awarding procedures; refund practices; improper use of Federal funds; loan collection procedures and the computation of interest billings; the financial stability of participating schools; and advertising practices. Special attention continues to involve proprietary vocational schools -- during the past year several were cut off from Federal funding. In all, we questioned about $9.3 million in SFA program expenditures in Calendar Year 1978.

Overall, trends identified during SFA audits led to a number of Department initiatives to strengthen program controls. Chapter VII discusses several of these areas including the jointly sponsored Audit Agency/AICPA training program for non-Federal audits of SFA programs, improved audit guides for public accountants reviewing the basic grants and campus based programs, and Project Crosscheck and other computer matching projects designed to detect and attack abuses of SFA programs.

2. Colleges and Universities (Research Funds)

Colleges and universities annually receive about $5.4 billion from Federal sources (HEW: $3.9 billion) mostly for research and demonstration projects. By OMB directive, the HEW Audit Agency is responsible for auditing all Federal funds at about 94 percent of these schools.

Last year, about 20 percent of our staff years were spent on this work. In summary, about $1.5 billion in expenditures were audited, and about $3.5 million were reported as improperly charged for which recovery was recommended. There was an additional $86.5 million* which the auditors had to "set-aside" for determination as to allowability by program officials. In these cases, records maintained by the schools did not comply with Federal standards and did not adequately support charges to Federal projects. Our recommendations discussed how the schools could bring their accounting and related systems into line with Federal requirements.

This is not a new problem. For years, audit reports have discussed the need for colleges and universities to improve the ways they account for staff time charged to Federal grants and contracts. Last year the Department revised its procedures for acting on such problems. (See Chapter VII of this report.) Of particular pertinence: sanctions are now called for against schools that do not implement recommended corrective measures in a timely manner. Also, there will be an early audit review service for changes schools make to their accounting systems to comply with Federal requirements. We are seeking a better "meeting of the minds" between the Federal Government and each college and university as to specific accountability requirements for Federal funds.

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*This is in addition to the $143.8 million in questioned costs discussed on page 24.

Problems also continue with the reasonableness and accuracy of overhead rates for Federal grants and contracts. These rates allow a grantee/contractor to recover a portion of such overhead expenses as depreciation, general/administrative expenses and the like. The grantees compute what they represent as reasonable overhead rates to reimburse them for such expenses. These "proposed indirect cost rates" -- expressed in terms of a percentage -- are applied against certain direct costs (e.g., salaries and wages) to arrive at amounts chargeable to grants and contracts. The Audit Agency is responsible for assisting the Department's Division of Negotiation and Grantee Assistance which reviews the proposed rates.

Last year we issued 175 reports on reviews of these proposed rates; in most cases we recommended sharp reductions. The reductions result in significant savings. For example, a review of rates proposed by one major university questioned several major overhead items. In negotiations with the school about this rate which covered a multi-year period the Department agreed with most audit conclusions, and it is estimated that actual Federal cash outlay will be $124 million less than what would have been paid on the basis of the University's proposed rates.

3. Elementary and Secondary Education, Title I

Funds are provided local education agencies for programs designed to meet the needs of educationally deprived children in low-income areas. During 1978, audit work conducted in 7 States reviewed some $53 million in Title I expenditures. The following examples illustrate recurring problems noted:

One State's reported expenditures were overstated by $700 thousand in that they included amounts relating to (a) State level salaries and indirect costs that were inadequately supported; (b) services provided all students in one district, without regard to educational deprivation; (c) a project that partially supplanted the school district's basic curriculum, and (d) funds retained by the State past the two-year period of limitation.

Similar problems were found in another State's Title I migrant program. Title I funds supplanted State funds for certain activities. Also, the State used Title I funds after the two-year period of limitation expired. Errors were also noted in the way the State allocated administrative costs between the Federal Title I and State programs. For these and other reasons, the audit report set-aside $546 thousand for determination by the Office of Education as to allowability and proper allocation.

4. Vocational Education

Funds are provided for special educational projects to areas with youth unemployment rates of at least 12 percent, or with school dropout rates exceeding State-wide averages. Cooperative and work-study programs are also funded -- with preference given areas with high numbers of disadvantaged youths. The following examples illustrate problems noted by audit.

One State was seriously deficient in complying with program criteria. Program funds were misdirected because the State did not maintain statistics on the numbers of unemployed youths. Although drop-out rates were available, they were not used in the process of awarding funds to local agencies. Some projects should not have been funded because their purposes were not consistent with program goals. In other cases, the counties in which the projects were conducted were not eligible. Projects were not always concentrated on the disadvantaged. Also, preference was not given to areas with high numbers of disadvantaged youths when $943 thousand in cooperative and work-study program funds were awarded to local agencies.

Audit of the program in another State disclosed substantive problems in the management and expenditure of program funds, particulary in the way the State approved and allocated funding for constructing vocational high schools. Construction funds must be awarded to local educational agencies by means of rating criteria described in the State Plan which include: manpower needs and job opportunities; differences in vocational education needs; relative ability to provide resources; and relative costs of programs, services, and activities. Applicants are to be judged competitively and ranked based on these criteria. Instead, the State was guaranteeing schools an annual ten percent reimbursement of construction costs without an adequate needs justification. Funds were provided in some cases after construction was completed. Regulations specifically prohibit the allocation of funds at a uniform percentage ratio.

Other problems noted in this State: (a) $4.9 million was expended on projects not reviewed and approved in accordance with State plan requirements; (b) $964 thousand in administrative costs was not documented; (c) $677.5 thousand was used for improper grants to profit making organizations; (d) $948 thousand had been identified by independent auditors as questionable expenditures; and $147 thousand was used for payments involving potential conflict of interest. In addition, $1.1 million was expended after the two year limit set by law.

Appropriate recommendations have or will be made to refund improper expenditures and to strengthen program procedures.

C. Income Maintenance and Human Development

Our audit effort in the income maintenance and human development programs consisted principally of reviews of selected aspects of aid to families with dependent children, supplementary security income, retirement and survivors insurance, social services, and Native Americans.

1. Aid to Families with Dependent Children (AFDC)

In the AFDC program we continue to identify significant amounts of incorrectly claimed administrative costs. During 1978, 10 reports were released covering $581 million in claimed costs; of this total $4.5 million was questioned largely because States' claimed the same costs under more than one program; used incorrect methods to allocate costs; or claimed ineligible costs.

This problem area was covered in a special report to top HEW management issued in late 1977, which summarized and interpreted the results of 66 individual audits. It was discussed in last year's Annual Report and is further reviewed in item "2" below.

Because of the substantial sums involved, mistakes in AFDC accounting can be costly. For example, one of the things we do in reviewing AFDC is to evaluate how the State handles credits due the Federal Government. Credits are called for when recipients return AFDC funds to the State because the payments were in the wrong amount; sent to the wrong individual; and so on. We found in one State that the credit was based on an estimate, which was not adjusted to actual, resulting in an understatement of $3.1 million over a three year period. Recoupment was recommended.

During 1978, 16 reviews looked at the AFDC Foster Care program under which the State and the Federal Government share in the cost of foster care for eligible children residing outside their own home.

In one audit we estimated that about $1.7 million in payments had been made for ineligible children during a four year period. Cases were also found where payments had been made to providers of foster care for periods when the children were no longer in their charge. Also, children were being placed in foster homes in greater numbers than were specified by the home's license.

Review in another State also dislcosed sizeable payments made for ineligible children and for costs of care that exceeded amounts established by the State. Also, the Federal account was not being credited for amounts collected from the natural parents of foster children.

Appropriate recommendations were made with respect to these deficiencies.

2. Administrative Costs in AFDC Programs -- A Problem Area Update

   a. The Problem: In this and our prior report, we discussed repeated instances where auditors identified significant amounts of incorrectly claimed administrative costs:

      - Our calendar year 1977 report spoke of an Audit Agency summary report revealing more than 180 instances of significant improper claims audit found over a three year period. Involved: $78.2 million. Our principal recommendation in this summary report -- that consideration be given to establishing and imposing fiscal sanctions or other administrative motivators in case of inaccurate/excessive claims -- was not accepted.

      - This current report discloses that ten audit reports released during 1978 questioned $4.5 million in claims which were erroneous because States continued to use incorrect allocation methods; claimed the same costs under more than one program; or claimed costs that were ineligible. Thus, the problem continues.

   b. Current Actions: Because of the concern and wide interest in this problem SSA's Office of Family Assistance began a national study of AFDC administrative costs in all States. The study is being made to obtain information on the breakdown of administrative costs by functions and activities, and the nature of the variations between States. Survey results are expected to provide a basis for evaluating alternative methods of Federal reimbursement and for dealing with and reducing cost allocation problems.

      We will keep fully informed on the study's results and on the actions that may arise from this work. Hopefully, the study will reaffirm our conclusion of the need to establish and impose fiscal sanctions, or other measures, when States' claims for cost reimbursement are inaccurate and excessive. We plan to appropriately assess these results.

3. Supplemental Security Income Program (SSI)

In January 1974, SSI replaced State administered programs of cash assistance to the aged, blind, and disabled. Considerable audit effort has been expended on the SSI program since its inception. Examples of audit findings in CY 1978 are:

a. State claimed conversion costs: We audited $5.7 million of costs claimed by 12 States in transferring records for the aged, blind, and disabled to Federal control. About 13 percent of these costs ($740 thousand) were questioned, and SSA should make financial adjustments for this amount when settling claims with the States.

b. SSI Quality Assurance (QA) program: Each month SSA's Office of Quality Assurance reviews a sample of about 4,500 SSI recipient cases. Data generated by these reviews is used as the basis for projecting SSI's semi-annual error rates and over/under-payment data. We concluded that, while the QA program made a strong and positive contribution towards more accurate program administration, improvements were possible.

There was a need for better compliance with existing QA procedures; further testing procedures were needed; and the exclusion of some types of cases may bias sample findings. Also, certain SSA review functions duplicate/overlap the QA process and, if these were eliminated, we believe there would be savings of $5 million annually.

c. Representative payees: SSI payments may be made to appointed representative payees for recipients unable to manage their own funds. These individuals are obliged to know the recipient's situation and need; to account for the funds received; and to notify SSA of events affecting the recipient's eligibility or level of payment.

We found that SSA needs to improve its monitoring of representative payees who were: (a) charging SSI recipients excessive fees, (b) inadequately safeguarding recipients funds, and (c) not maintaining adequate documentation for payments made on behalf of recipients. We recommended that SSA review the actions taken by representative payees to ensure the best interests of recipients are met; that adequate controls over funds and support for expenditures are maintained; and that fees charged are reasonable.

4. SSA Retirement and Survivors Insurance (RSI)

During the year we reviewed selected aspects of

SSA's administration of the RSI program at the central office and selected program service centers and district offices. Audit findings related to payments and interest income.

Wives or widows may apply for SSA benefits before they reach the age of 65 under their spouse's account. When they do, benefits are reduced. However, some of these beneficiaries may be entitled to higher benefits under their own accounts on reaching age 65. We found that, although SSA was informing each applicant of this fact at the time they applied, there were no follow-up procedures to remind them to reapply for possible higher benefits when they became 65. As a result, an estimated 17,000 wives and 48,000 widows have been underpaid nearly $99 million.

Problems with duplicate payments also surfaced. In 1975 there were 2,000 cases identified for review by SSA as potential dual payments. Our review of these cases showed nearly one-fourth had either not been further analyzed or not adequately resolved. At least $2 million was unnecessarily disbursed as a result.

Changes were recommended that would strengthen controls over benefit payments made in these situations.

Two audit reports discussed ways that SSA could increase Trust Fund interest income earned on FICA contributions. The first centered around Social Security regulations which require that FICA contributions for State and local government employees be deposited within 45 days after the close of each quarter.

While interest at 6 percent is charged for overdue payments, SSA allows a five day penalty free tolerance on late deposits. Since 1952 SSA has used the five day tolerance rule on the premise that the interest income lost was insignificant. This is no longer true. FICA deposits have increased from $26 million in 1952 to over $10 billion in 1977. SSA's five day tolerance rule resulted in an estimated $1 million in lost income over the past year. SSA agreed with our recommendation to discontinue the five day tolerance rule and will notify the States of this change.

Another audit report discussed how interest earnings can be significantly increased by a simple change in the procedure used by SSA and Treasury for investing State and local FICA contributions. Currently, SSA notifies Treasury to invest State and local contribution deposits upon receipt of deposit tickets mailed to SSA by the States and Federal Reserve Banks. Inherent in this procedure is a ten day delay due to mailing and handling. SSA agreed with our proposal to invest based on Treasury's "daily balance wire" which would result in investments within 24 hours after validation of the deposit. Implementation is pending Treasury's approval.

5. Social Services (Title XX, Social Security Act)

The purchase of social services through contracts by State and local government accounts for about half of the $2.5 billion Title XX program. Six audits showed that States need to be more effective in contract negotiations with providers and in monitoring provider performance to assure compliance with Federal/State regulations and contract specifications.

Specifically, we found that Federal funds were spent for services not provided for in the contract; on behalf of individuals who were not eligible for Title XX services, and in amounts which were excessive, for the service. Improvements were recommended in contracting and contract monitoring. This is discussed in Chapter VIII.

A joint audit team (comprised of staff from a State's Auditor General, the City Controller, GAO and the HEW Audit Agency) reviewed a Day Care Center administered by the City's school district. Started in 1965 with OEO funding, it is now funded by Title XX grants. Costs have risen sharply -- from $13.3 million in 1971 to $20 million in 1977 -- although the number of children served has declined.

The audit team noted significant weaknesses in the way the City (a) implemented the program and evaluated its results, (b) contracted for services, (c) ensured the eligibility of program participants, (d) licensed and inspected centers for compliance with health and safety standards, and (e) maintained financial control over budgeting and accounting for expenditures. The audit report noted and discussed ways in which the approximately $61 million expended by the program during three year period ended June 30, 1977, could have been reduced by $12.2 million -- through greater economies and efficiency -- without adversely affecting services to children. It was recommended that the school district make certain procedural and system changes to improve efficiency and economy and to refund expenditures of $5.9 million which were unauthorized or improperly billed.

In another joint effort with State auditors, we reviewed performance of a Community Action Agency in administering Head Start and Day Care Programs. Two centers were looked at. There were serious problems in both financial and program management. The grantee improperly transferred about $85,000 from programs and activities including about $30,000 from the Head Start account. Because of the poor financial condition of the grantee, Federal and State funds may have to be used to pay off bank loans. The grantee also improperly paid about $30 thousand in commissions to its employees.

Since these problems were so serious, it was recommended that other organizations in the service area be considered to provide Day Care and Head Start services. Also, that all improperly spent funds be recovered, and that technical assistance be provided and financial administration practices be more closely monitored.

6. Native American Programs

The Office of Native American Programs in HEW (in Fiscal Year 1977) spent about $33 million to assist 600,000 Native Americans through 195 Native American grantees.

Our review of program operations showed the need to (a) increase coordination with other programs (both within and outside HEW) serving Native Americans, (b) improve methods of reporting and analyzing program achievements, and (c) better manage grants and contracts (including improvements in the grants award and contract monitoring processes). We recommended improvements in these areas, and program officials have begun corrective actions.

D. HEW Administration

In addition to audits of recipients of HEW program funds, the Audit Agency conducts or participates in a variety of internal reviews of HEW administration of its programs, functions, and activities. Some highlights of this work during CY 1978 related to contracts and grants, accounting operations, GSA self-service credit cards, and audit resolution activities.

1. Contract and Grant Activities

Audit attention continued in this major area. We developed an automated system to monitor close-out of 839 contracts, valued at $361 million.

But of greater significance was our work concerning contracting operations at the National Institute of Drug Abuse (NIDA) and the National Cancer Institute (NCI). These studies are discussed in detail in Chapter VIII.

2. Accounting Operations

Adequate monitoring of accounts receivable was identified as a serious problem in two areas -- audit disallowances, and advances of grantees who were delinquent in submitting expenditure reports.

a. Controls over concurred-in audit disallowances: Effective March 1977, each POC was required to have formal procedures in place to control and monitor the collection of sustained audit-recommended disallowances. One of these POCs should have had appropriate records to show that there were 177 sustained disallowances amounting to $4.9 million for a certain program. Our review showed, however, that only $2.5 million of this sum was recorded. In certain other cases, where recoveries were to be made by adjustments of awards rather than by funds recoupment, serious problems were also found. As a result, action had not been taken to recover 68 disallowances totaling about $3 million, most of which should have been recovered from 6 to 29 months earlier.

In November 1978, additional procedures were initiated to assure that POCs account fully for "concurred in" disallowances, and track them to collection or final disposition.

b. Delinquent expenditure reports: The Departmental Federal Assistance Financing System serves as a fiscal intermediary between HEW awarding agencies and fund recipients. It provides cash to grantees in support of program needs, receives expenditure data from them, and furnishes awarding agencies transaction data for updating their accounting system.

Our review disclosed that procedures were not in place to obtain delinquent expenditure reports in order to account for funds previously advanced, recover unused funds, and alert program officials to delinquent recipients. We recommended that such procedures be established. While action was taken to reduce the number of delinquent reports from over 1,000 to 500, locating all recipients remains a problem. But definite progress is being made with 161 remaining unlocated as of February 1979.

3. Use of GSA Self-Service Store Credit Cards

A limited review disclosed numerous shortcomings in the control and use of these cards. Responsible officials were unable to identify whether there were missing cards, and measures were needed to safeguard their use. Procedures were also needed to assure that GSA was notified when cards were missing.

Although it is a Department requirement, there was no effective monitoring over the quantities and type of merchandise purchased. Lastly, accounting problems were noted in the methods used to record purchases made.

Recommendations to correct these deficiences were made to responsible officials who have acted promptly to provide improved controls.

4. Resolution of Audit Matters

The Audit Agency issues about 5,000 audit reports each year. Misspent funds and improperly supported claims for Federal funds discussed by these reports were $143.8 million last year. Heads of principal operating components (POCs) are responsible for resolving the matters raised in audit reports. Audit monitors the timeliness and adequacy of these actions. Our reviews have disclosed continuing problems.

a. Timeliness of audit resolutions: The number of open audit reports over six months old remained high during the year. As of December 31, 1978, there were 920 reports in the category that questioned the validity of some $143 million in claimed costs.

   As the numbers and dollars involved indicate a serious problem, Secretary Califano asked the OIG to (a) take a close look at how POCs are handling the audit resolution process, and (b) see whether major improvements are possible.

b. Adequacy of audit resolutions: The Audit Agency routinely reviews actions taken by Department components in response to audit recommendations using selected samples of "closed" audit reports. These reviews check whether promised corrective actions were, in fact, carried out, and whether systems in place for monitoring and controlling actions were producing the intended results.

   Results of 1978 follow-up reviews were mixed. Two of HEW's five POCs had reasonable accomplishments ratios (86% and 91%). The other three were in the 40-50 percent range.

   An example of an accepted recommendation that had not been implemented: Several years ago we reported on an audit of Medicare's management information system -- relating to contracted program operations -- and concluded that certain improvements were needed to enhance the system's capabilities to monitor and evaluate contractor performance. Recent follow-up showed that the Medicare Bureau still had not (a) completed development of qualitative and quantitative standards to evaluate contractor performance, (b) completed review of management information reports prepared by contractors to decide on further actions needed, or (c) provided central office summary reports to the regions in a prompt fashion.

c. Grantee appeals: Grantees may appeal POC decisions agreeing to audit recommended financial adjustments. Until March 1978, each POC was responsible for resolving appeals concerning their programs. The effect of a March 1978 decision was to transfer jurisdiction for acting on most appeals to the Department's Grant Appeals Board -- one major exception being the Office of Education's Title I Audit Hearing Board.

In checking into the status of appeals pending before SSA, HCFA, OE and the Grants Appeals Board, we found that more than $200 million in sustained audit findings were under appeal. Very little progress in terms of dollars has been made to resolve open items since 1973. Cases backlogged by the Grant Appeals Board increased from 27 to 166. This may increase to over 300 when all appeal cases have been transferred from the POCs. While some additional staffing has been added to the Board, it appears to be insufficient.

Further review showed that the OE Title I Audit Hearing Board was also experiencing a backlog situation ($40 million, some dating to 1974). OE's legal staff is giving priority to preparing regulations rather than to resolving appeal cases.

Recommendations were made to responsible officials calling for a time-phased transfer of appeals to the Board, and for a reevaluation of the Board's staffing needs -- in light of its increased workload demands. Similarly, it was urged that the questions of priorities and staffing needs of OE's Title I Audit Hearing Board be resolved.

E. Two Major Recommendations

The Audit Agency is the backbone of the Office of the Inspector General in terms of its size, versatility, and distribution of staff resources -- as well as its continuing planned coverage of every program area receiving HEW funds.

Our first recommendation discussed below is concerned with the importance of a continued incremental build-up in the staff resources over the next several years.

The second recommendation deals with an Audit Agency-conceived technique to deal with one of the most pervasive problems encountered in audits of grantees, namely, the misspending of Federal funds where full recovery is frequently impractical but where, at a minimum, the grantee should be expected to reimburse the Federal Government for its cost of borrowing those funds.

Both of these recommendations are discussed below.

1. Audit Agency Staffing Needs To Be Steadily Augmented

The disparity between audit resources and audit workload continued to be an item of significant concern. Currently, we are authorized resources to perform approximately 72 percent of the audit effort deemed necessary. As a consequence of this shortfall in staffing, we had to cut back on the audit frequency of smaller and medium sized institutions to less than prudent cycles, and further postpone covering areas that have received little or no recent audit attention. This situation was further strained since we needed to utilize nearly a quarter of audit's in-house staff to carry out special Inspector General's initiatives during FY 1978. Currently, the Audit Agency's staffing situation is as follows:

		In Staff-Years
Total audit workload--determined based on several high validity studies in recent years		4,554
Less: Resources		3,292
Authorized in-house staff	960	
Staff-year equivalent of work performed by public accountants, States, others	2,332	
Unmet audit needs		1,262

We are continually looking into ways to augument our audit capability. One of the most promising is the expanded use of contracts with non-Federal audit staff. During FY 1979 we were authorized $2.25 million for such contracts -- the equivalent of about 60 staff-years of audit effort.

The budget now before the Congress proposes an additional 30 staff-years of contract support. We must stress though that this growth needs to be complemented by some growth in-house for planning, monitoring and supervision purposes. We believe such in-house growth in succeeding years should average at least ten percent annually.

2. A Reasonable Approach is Required to Recovering the Costs of Monies Borrowed by the Federal Government -- Found To Have Been Misspent By Grantees

Other than good conscience, there is nothing to deter a grantee from misspending Federal funds. Audits turn up numerous and recurring examples.

When this occurs, the grantee is merely requested to repay the funds in question.

The criminal condition of fraud, if it does exist, is difficult or impossible to prove since the typical HEW grantee is an institution and personal gain is not a factor. While the funds are recouped, the Federal Government has still suffered a financial loss, which under the current system, is not being reimbursed: the expense it incurred to borrow the funds involved. There is little to deter the grantee from again misspending Federal funds.

We believe that HEW -- as a part of its grant agreements -- should incorporate a provision requiring payment by a grantee of interest on monies it retains which are identified as misspent or misapplied under the grant.

General Counsel in researching this matter, found no provisions in law to preclude inclusion of this type of provision as a grant term. OMB staff also informally advised that Federal policy does not preclude charging interest.

Traditionally, interest is a sum paid or payable for the use or detention of money. Where a grantee misstates its grant costs or misspends funds, it is, in essence using Federal funds not due it. The Federal Government, as a result, loses the use of the money while it is held by the grantee. The Government should not be made to bear this loss; it should be recouped from the grantee. It would also provide an important deterrent to the practice of using Federal grant funds for other than the purposes intended.
Financial implications: Dollar recoveries to the Federal Government would be substantial. For example, during CY 1978 audit identified some $144 million in HEW funds as having been misspent by grantees. Assuming that the average interest period involved was two years, and that the interest factor was 6 percent -- this would equate to $17 million. At 9 percent the recovery would be $25 million.
In consideration of the above factors we have recommended to the Secretary that he authorize us to begin implementation of regulations to establish a policy for inclusion of a clause in all future grant awards that an appropriate interest be charged on all funds found to have been misspent by the grantee.
We will work with responsible officials to refine the recommended grant clause with respect to (a) the specific time frame in which interest would be charged; (b) whether the interest rate should be a nominal amount of, say, 6 percent or the current, higher rate now paid for Treasury borrowings, and (c) whether there may be a necessity to permit interest waivers under certain specified conditions.

OUTSIDE AUDITORS

Senator CHILES. You say in your statement that the HEW Audit Agency has over 50,000 entities requiring audit, of which only several thousand can now be covered in a year. You also point out that you plan to use the additional $2 million appropriated by the Congress for fiscal year 1979 to support an additional 60 staff years, and that you're requesting an additional $1 million for this purpose in fiscal year 1980. This is for outside auditors.

Is this increased reliance on outside auditing organizations to perform audit work a result of committing your own audit personnel to such projects as Project Match and others that you described?

Mr. MORRIS. I'd like to answer that in two parts. First, the Department has long depended very substantially on outside auditors. The Social Security Administration, particularly in the medicare program, has historically used approximately 2,000 outside audit staff years each year for audits of medicare providers. Over the years, Head Start and other grantees have also used outside auditors.

Second, since the Inspector General was formed we have utilized a large share of our audit staff to work with us on developing innovative approaches including national attacks on common problems.

We're getting at the medicaid problem through a survey in every State of aberrant billing practices by physicians, many of whom are in shared health facility type environments. The auditors help us do that by developing computer techniques, running the computer screens, and helping our investigative staff to home in on the problems.

So it is true that I am replacing 60 staff years of audit time with that $2 million that would otherwise be available on-site to audit grantees, in order to invest that time in research on these new techniques.

Senator CHILES. In the light of the testimony that we've had this morning, which shows weakness by having several auditors involved in different accounts—that's come to your attention, I assume—have you got any recommendations, or what is HEW doing to try to prevent weaknesses like that from occurring?

Mr. MORRIS. Sir, I must applaud the remarks of Mr. Steinberg in this area. It's my understanding that Mr. McIntire, Director of OMB, is seriously attacking this problem of the multiple-funded grantees. The objective is to have a common audit performed on behalf of the sponsoring Federal agencies, with one of those agencies having an audit cognizance, or oversight role.

In our case, we have been assigned that responsibility for university audits. We audit about 98 percent of universities holding Federal contracts and grants on behalf of all governmental agencies. I think that sought to be done, particularly for the smaller grantees that are less sophisticated and more prone to problems of the type you heard about this morning.

Senator CHILES. I know that you haven't had much time to really review this particular case. We are trying to use it more to show what's happening with the auditors and to show where the weak points are.

Do you know—have you been able to find out about this particular case? I understand in this meeting of June 17, 1977, at that stage the GAO representative disclosed the situation, including the embezzlement, to the regional director and the Office of Investigations. At that time, they were a part of the old Office of the Inspector General, were they not?

Mr. MORRIS. Yes, sir. We were formed in April of 1977. So they would have been with us 3 months at that point.

Senator CHILES. So, you were just starting off.

The concern I have is that the HEW grant manager stated that as of January this year he still was not aware that the embezzlement had occurred.

What kind of controls would you have now if something like this happened? If any of your inspectors, any of your auditors were notified, do you have some controls to require that everybody that should know would know?

Mr. MORRIS. I feel very confident of our recordkeeping and communications systems in audit and investigations today. They're quite mature and well developed.

I think the individual referred to is a grants management officer in the program bureau or activity, and it is a puzzle to me that he would not have known about this problem.

Senator CHILES. It's a puzzle to me. He certainly should know.

Mr. MORRIS. The only explanation I can possibly think of is that the money was apparently immediately paid back with interest, and perhaps there wasn't as much noise made about it as there should have been.

Senator CHILES. Well, I'm concerned, and it's hard for me to find out who to ask the question to. For example, the executive director, he knew about this 7 months, but he didn't change the finance director, he allowed the finance director to sit there and perform a report himself, and further allowed him to handle cash.

It looks like some other things that he had reported to the GAO were being done, in fact were not being done. I am wondering, if someone in HEW at some time said, "Look, we're going to cut off funding to you unless you get your act straight."

Mr. MORRIS. Mr. Chairman, I'd like to make a suggestion, if I may. I think that we grow in this business by learning on the basis of hard facts. I personally would like to take the time, over the next several weeks, to go onsite and dig out what happened in all respects and report back to you on where we failed or who failed, and what we're going to do to prevent a recurrence of this type of problem.

Senator CHILES. I would appreciate that, and I want you to know, when you've got as many audits as you're doing, this many entities, I know it's easy to find one or some that are bad. I don't know how many are bad now. I think part of our role in oversight is that for too long Congress has not attempted to go out and try to find those weaknesses, so we can determine whether the system is working or not.

I hope that we in the Congress can be encouraged to do more of that, and I would appreciate very much your looking at this.

Mr. MORRIS. Very good. We shall do it.

Senator CHILES. Has HEW considered any action that would require a grantee receiving support from more than one agency to use—well, we've talked about that, to use the same accounting firm?

AUDIT RECOVERIES

How much money have you been able to recover so far by following up on these audits?

Mr. MORRIS. Sir, we question, through our audits each year, on the order of $150 million. That's been our experience for the last 5 years. The funding agency must finally determine what's proper for recovery. Agreements on questioned costs have been occurring at a rate of about 61 percent. I think that's a little low. I think it ought to be higher. But on the average, that means that we should be going after about $90 million of collections each year.

We've just put in place an accounts receivable reporting system, the first results of which came off the press about 2 weeks ago. It showed a good percent of realization for the 1977-78 time period.

I'll be glad to furnish that table for the record. I would rather not try to repeat it from memory.

Senator CHILES. All right, sir. I have some other questions that I'm going to ask you for the record in regard to the GAO report, More Effective Action Is Needed on Auditors' Findings—on this particular report.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

MANAGEMENT INFORMATION SYSTEM ON FRAUD

Question: One of the findings in the GAO Report was, that due to a lack of management information systems on fraud, agencies were unable to know the amount of identified fraud in their programs or to estimate the potential amount of unknown fraud, and to marshall their anti-fraud strategies and resources accordingly. (Report, p.1, 2) Does HEW have such a management information system on fraud, and if so, would you briefly describe it?

Answer: HEW does not have a management information system designed specifically to track identified and suspected fraud in our various programs. However, each of the several offices engaged in anti-fraud activities are required to closely monitor and report identified and suspected fraud to the Office of the Inspector General. These reports are used by the Secretary and the Inspector General to determine the severity of fraud in the various programs and to target their anti-fraud resources to the areas most in need of attention. We also frequently advise the Congress of the incidence of fraud and our anti-fraud efforts through the Inspector General's quarterly and annual reports.

UNRESOLVED AUDIT FINDINGS

Question: One of the key weapons in detecting and preventing fraud and abuse is the audit function. Yet another GAO report issued last October, entitled "More Effective Action is Needed on Auditors' Findings--Millions Can Be Collected or Saved", showed that on March 31, 1977, thirty-four Federal departments and agencies had 16,000 unresolved audit findings involving $4.3 billion in questioned costs to the Government. HEW had 2,030 unresolved audit findings involving $193 million in questioned costs. (p. 33 of report) What is the current status of these audit findings--how many have now been resolved?

Answer: The listing in the GAO report shows that as of March 31, 1977, there were 2,030 unresolved audit reports with questioned costs outstanding of some $193 million. As of December 31, 1978, all but 305 of these reports involving some $40 million were resolved.

Question: Of those which have been resolved, in how many cases did the Department recover any money?

Answer: Of the reports resolved, Department officials concurred in audit questioned costs of some $70 million.

Question: How much has been recovered altogether?

Answer: About two years ago HEW implemented an accounting system for controlling monetary audit disallowances. For audit reports issued during FYs 1977-78, Department officials concurred in audit questioned costs of $118,695,000. Following is the status of recovery action as of December 31, 1978--

POC Accepted Amt's	Total Collected	Amt's Written-Off	Amt's Under Appeal	Uncollected As of 12/31/78
$118,695,000	$ 57,236,000	$11,191,000	$26,414,000	$23,354,000

AUDIT BACKLOG

Question: What is the current backlog of unresolved audit findings?

Answer: As of December 31, 1978, there were 1,997 unresolved audit reports. Some 920 of these were over six-months old.

Question: How much money is involved in the questioned costs?

Answer: The questioned costs involved totalled $199 million.

Question: Which of the programs and what kinds of costs are most frequently involved in these audit findings?

Answer: HEW administers approximately 380 programs based on different statutes and regulations. Organizations receiving HEW funds number in excess of 50,000 and include thousands of small entities with only rudimentary systems of controls (e.g., community action agencies) as well as entities with sophisticated control systems (e.g., universities, insurance companies). Given this environment, the programs and kinds of costs questioned vary from grantee to grantee and from program to program.

During the past five years, audit recommended financial adjustments have ranged from about $130 million to $150 million each year. These involve a wide range of financial management shortcomings by HEW grantees/contractors such as claiming reimbursement for unallowable costs; for unsupported claims; and payments for services furnished to ineligible recipients.

Question: The GAO report also found that HEW was not complying with OMB Audit Resolution Policy in that audit reports by other audit organizations were not being tracked, there was no time frame for acting on the findings, and periodic reports did not show the status of corrective actions. (p. 37 of report) What action have you taken to correct these deficiencies?

Answer: The GAO report is correct in that not all reports prepared by other audit organizations were tracked by the Department's Audit Agency. For the most part, these included audits of grantees by their own public accountants which were intended to serve grantee rather than Federal needs. Subsequent to issuance of the GAO report, Audit Agency procedures were revised to track all reports.

At the time of the GAO audit the Department did not have a standard time frame in which audit findings had to be acted upon. We did have a six-months time frame, however, by which delinquent audit reports were identified and highlighted for management's attention. A six-month standard has been set within which our principal operating components are expected to act on audit findings. It's important to note, though, that many of the issues concerned are very complicated and not susceptible to ready resolution. These are tracked by the Inspector General until resolution. The more substantial are included and discussed in his recurring reports to the Congress.

HEW has had an automated system for some ten years to monitor and control actions taken on its audit findings. Quarterly reports are made to the heads of our principal operating components, and by the Inspector General to the Congress on the status of corrective actions. The GAO report mentions that HEW was not tracking disallowed costs which grantees were appealing. This is no longer the case. In March 1977, we implemented policies and procedures for controlling and accounting for monetary audit disallowances through commercial type accounts receivable control. This system was approved by GAO in May 1978.

QUESTIONED COSTS

Question: In addition to the unresolved audit reports, GAO reviewed a sample of HEW's closed audit reports involving $9.5 million in questioned costs, of which $9.3 million or 97% were allowed to stand. This was the highest percentage of questioned costs that were allowed by any of the agencies GAO reviewed. By way of contrast, HUD allowed only 39% and the Defense Contract Audit Agency allowed only 7%. (Report, p.8) What explanation do you have for HEW's allowing such a high percentage of questioned costs to stand?

Answer: The schedule on page 8 of the GAO report presents a badly skewed picture of concurrences received from program staff on costs questioned by the HEW Audit Agency--indicating a mere 3 percent acceptance ratio. There were just 21 reports including questioned costs of $9.3 million analyzed by GAO for the purpose of this schedule. The Audit Agency's records of concurrences received during the period FY 72-78 show a markedly different picture. During this extended period, costs questioned by HEW auditors totalled $705 million. Agency officials agreed with auditors on $433 million for a 61 percent concurrence ratio.

Question: Who makes the decision as to whether a questioned cost should be allowed to stand?

Answer: Decisions as to whether audit questioned costs should be allowed to stand have been delegated to the Department's operating agencies. It should be noted, however, that if there is a disagreement with the Audit Agency's interpretation of the laws or regulations, operating agencies are required to refer the matter to the General Counsel for decision.

Question: Does the fact that 97% of the questioned costs were allowed indicate that the audits were of poor quality?

Answer: As previously stated, the 97 percent ratio cited by the GAO is not an accurate assessment of either the Department's audit effort or operating agency decisions in resolving audit findings. While the Department's historical concurrence ratio of 61 percent is lower than that of the Defense Department, a good part of this is attributable to the different types of programs and entities involved.

Question: Does it suggest that the program personnel may be less than objective in deciding whether to allow a questioned expense, for fear that it will reflect adversely on them?

Answer: No, I don't think so, however, should this tendency exist, we do have adequate checks and balances in place. All decisions resolving audit findings must be approved by at least two high level operating agency officials and reviewed by the Audit Agency for propriety and reasonableness prior to acceptance. In addition, any differences of opinion between the auditors and operating agency officials as to interpretation of laws or regulations must be resolved by the General Counsel.

Question: Does this situation raise a question as to whether the same personnel who are responsible for administering a program should also have primary responsibility for checking up on them?

Answer: No, I don't think so. As previously stated, adequate procedures are in place to assure that decisions regarding audit matters are made in the best interest of the Government.

Question: For all the agencies reviewed, GAO stated that they had doubts about the propriety of 88% of the costs allowed. (Report, p. 8)

PROPRIETY OF ALLOWED COSTS

The Committee's investigations staff has obtained detailed information concerning those HEW audit reports which GAO considered to have been improperly resolved.

In one example, HEW administrators delayed for 19 months in sending a demand letter to a grantee for recovery of $2.1 million resulting in a $1.5 million loss because the statute of limitations had expired. The explanation given to GAO was that it was low priority.

In another example, HEW administrators concurred with audit findings disclosing over $4 million in improper expenditures, but ultimately allowed almost all of the costs, reversing their position after the grantee disagreed with the findings.

In another example, HEW administrators allowed a grantee to claim $4.4 million for medical services which auditors determined should have been paid partially by private insurance companies.

In still another case, recovery of $4.3 million is uncertain because instead of directly reducing a grant involving improper indirect cost rates for overhead, HEW adjusted downward the indirect cost rate for 2 future years. The indirect cost rate had been too high because it included, among other things, the upkeep on a building which was no longer in use, and I understand had been boarded up.

I think these examples raise serious questions regarding objectivity and a proper concern over the expenditure of public funds on the part of HEW administrators. I would like to include this information in the record of this hearing and I would like for you to review it and advise the Subcommittee of any actions which have been taken or will be taken to prevent recurrences of such situations.

HEW EXPLANATION OF ALLOWED COSTS

Answer: We have reviewed the examples cited by the GAO report. An explanation of each follows:

The first situation, which involved audit findings that were negated because the statute of limitations expired, pertained to an audit of a State-administered Elementary and Secondary Education (ESEA Title I) program--for FYs 1969 through 1973. For this program, the Educational Amendments of 1974 (PL 93-380) provide that "No State or local education agency shall be liable to refund any payment made to such agency under this Act which was subsequently determined to be unauthorized by law, if such payment was made five years before such agency received final written notice that such payment was unauthorized." Thus, failure to promptly resolve the issues raised by Audit does impact on recovery.

The Secretary brought this matter to the attention of the Commissioner of Education. OE improved the timeliness of its resolutions with respect to ESEA Title I audits. Also, applicable program regulations are being clarified.

In the second example, HEW administrators did initially agree with the auditors' recommendation to recover over $4 million, discussed in the next example. This position was subsequently reversed because of additional information which the grantee furnished, subsequent to the initial decision. This reversal was not dictated by the grantee's disagreement with the audit findings.

The third case relates to an audit of a State-administered Medicaid program in which it was noted that medical services were paid by Medicaid for some recipients who were otherwise covered by private insurance companies. The State agency, in responding to this draft finding, stated that the Medicaid identification card lacked a notification of third party liability until March 1975.

The auditors considered this information in preparing their final report, and did not recommend recovery of the $4.4 million. Rather, they recommended that the State agency establish a system for applying third party resources in future payments of medical claims. This $4.4 million was considered to be a prospective savings by the auditors, rather than an amount subject to recovery.

In the last case, the method used to adjust the indirect cost rate is specifically provided in Section G.5 of OMB Circular A-21, "Negotiated Fixed Rates and Carry Forward Provisions." This method for recovering excessive indirect costs is also authorized by PL 87-638 as a means of simplifying administrative actions and permitting timely closeouts of completed grants and contracts.

The Audit Agency--particularly since automating its system for monitoring actions taken on its audit reports--has reviewed audit report closing documents for apparent propriety and reasonableness. Some months ago we restudied our options on processing these closing documents and have accomplished some refinements in the system. Others will be implemented as needs are determined.

PLAN TO ELIMINATE WASTE, FRAUD, ERROR

Mr. MORRIS. We testified on that yesterday in the House. We'd be delighted to give you our input.

Senator CHILES. On December 13, 1978, in a memorandum to the heads of all executive departments and agencies, President Carter announced his intention to eliminate waste, fraud, and error from Federal programs and directed to be submitted to OMB by January 31, 1979, a comprehensive plan for the accomplishment of this objective. The plan was to include an analysis of the agency's audit and investigative resources and capacity to then deal with waste, fraud, and error, and its planned approach to the utilization of such resources for this purpose.

Has HEW submitted such a plan?

Mr. MORRIS. Sir, we did, and what we submitted was essentially our last year's annual report, which laid this out in great detail and which will be updated in about 3 more weeks.

Senator CHILES. If you would send that to us when you have the update, we could catch it in last year's annual report.

Mr. MORRIS. Yes, sir.

[The information follows:]

CHAPTER I

EXECUTIVE SUMMARY
ANNUAL REPORT OF THE HEW INSPECTOR GENERAL
FOR THE PERIOD ENDING DECEMBER 31, 1978

The first two years of the HEW Office of Inspector General have been years of growth and experimentation. Most importantly, this second Annual Report is a "lessons learned" document.

Perhaps its most important message is that Audit, Investigations, and Systems Review are each major purpose activities, each with its own work program. The Immediate Office of Inspector General is of value mainly as a leader and catalyst in assembling joint teams of mixed disciplines to attack problems or engage in new initiatives.

The Office of Inspector General Headquarters should remain lean and fit, and its operations should be highly decentralized, because discovery of problems and correcting them must occur primarily in the offices of the 50,000-plus institutional recipients of HEW funds and HEW's own internal organization. A continuing challenge is to maintain effective communications in such a highly decentralized structure.

In this year's report we make a number of recommendations to the Secretary and to the Congress. We have felt free to suggest ideas which will require further study and to recommend legislation which must yet be drafted and cleared through the normal procedures.

This Executive Summary highlights the key findings and recommendations of Chapters II through VIII.

CHAPTER II -- Putting "Losses Due To Fraud, Abuse, and Error" Into Perspective

Exceptional progress has been made since March 31, 1978, in energizing a formal cost-reduction program which builds upon -- but has gone well beyond -- the findings of the Inspector General's first Annual Report.

Savings targets of $1.3 billion for FY 1979, and $2.1 billion reflected in the FY 1980 budget request are admirable goals. In the years following 1980 we see $900 million of additional waste which might be saved, using present authorities and resources. Congressional support can open avenues for further cost savings of about $660+ million in future years (in addition to the Department's legislative program of $2.9 billion in FY 1980).

Finally, there is a large area of uncertainity over the feasibility and timing of savings in a number of complex fields, such as unnecessary surgery, X-rays, and hospital stays, and further reductions in error rates below very low minimums.

The overall recommendation of Chapter II is to:

> Establish a special fund under the direction of the Inspector General to support a "Fraud and Abuse New Initiatives Program."

CHAPTER III -- Highlights of Audit Efforts, Calendar Year 1978

In CY 1978, the Audit Agency issued 5,652 reports, of which 4,226 covered HEW-financed programs and activities. The Department's staff prepared 1,459 and public accountants and State auditors prepared 2,767.

The audits identified $143.8 million for consideration by the POCs as not having been spent in accordance with regulations, terms, or other criteria. During the same period, the POCs agreed with Audit-recommended financial adjustments totaling $54.8 million.

This Chapter makes two overall recommendations:

1. Audit Agency staffing needs to be steadily augmented. In-house growth for the next several years should average about 10 percent annually.
2. We urge early consideration of development of a regulation to recover the "cost of monies" borrowed from the Federal Government which are found to have been misspent by grantees. This would recover about $17 to $25 million annually.

CHAPTER IV -- Highlights of Activities: Office of Investigations and Other Fraud Investigation Agencies

In CY 1978, the Office of Investigations had its most successful year thus far, with 125 indictments and 105 convictions -- over twice CY 1977. A 50 percent growth in staff occurred in the last quarter of the Calendar Year -- to a new total of 136 members. Major growth still lies ahead to reach the full budgeted level of 234 staff needed to assume full responsibility for all provider criminal fraud investigations conducted by HEW and the most complex and important of the employee-conduct cases.

In the year ahead, the growth in the State Medicaid Fraud Control Units will begin to offer opportunities for multiplying the effectiveness of the office. It is essential that Federal leadership continue in this area -- in which a thousand professional staff will eventually be supported for three years by 90 percent Federal funding. We are prepared to consider whether 90 percent funding beyond a three-year term may be necessary in some cases, to assure full effectiveness.

The wisdom of Congress in enacting P. L. 95-142 (H. R. 3) is demonstrated not only by the creation of the Fraud Control Units (Section 17), but by many other provisions, including the disclosure sections which will assist us in studies of chain ownership. Four recommendations are cited in Chapter IV:

1. Establish a close working relationship within the Executive Branch among the 14 statutory Inspectors General, working cooperatively with the Department of Justice, the Office of Management and Budget, and the Office of Personnel Management.

2. Continuously assess needs and institute measures to assure the security of our computer systems.

3. Emphasize training investigators, auditors, and prosecutors, and cross-training among these skills.

4. Urge the Department of Justice to seek a general fraud statute making it a felony to defraud any Government program.

CHAPTER V -- Initiatives to Attack Fraud, Abuse, and Error in Health Care Financing Programs

The most valuable experience during the past year has been the lessons learned with the States from Project Integrity I (physicians and pharmacists). In the coming year we will offer interested States tested computer screening aids in launching additional Project Integrity initiatives (such as the dentists and laboratories reviews now in process).

The following recommendations are offered:

1. Complete and issue HCFA's proposed regulations requiring administrative sanctions for fraud and abuse in the Medicaid program.

2. Make available to the States model legislation for fraud and abuse control in the Medicaid program.

3. Present to Congress the "Civil Money Penalty" Bill to give the Secretary authority to act if criminal penalties have not been effective or criminal prosecution is unwarranted or impractical.

4. Consider establishing by statute incentive arrangements for special financing to meet individual State needs for (a) management information systems, (b) surveillance and utilization review units, and (c) Fraud Control Units. Both provider and beneficiary fraud activities in welfare and health care programs should be included.

5. Present to Congress a statute to prevent independent laboratories from charging fees to the Medicare and Medicaid programs which exceed their charges to physicians.

6. Implement new regulations promptly to require action by the appropriate agencies when PSROs find that services are unnecessary.

7. Develop legislative measures to strengthen health care management and control:

   --Legislation to permit competitive selection of fiscal agents and intermediaries (also discussed in Chapter II).

   --Statute to establish Federal criminal jurisdiction for theft or embezzlement of Federal grant and contract funds.

   --Legislation to upgrade from misdemeanor to a felony the punishment of persons who use their Medicaid cards to aid in the procurement of controlled substances to be sold on the street by drug pushers. (Amendment to 42 U.S.C. 1396h)

   --Statute to make it unlawful for a practitioner to pay a druggist to fill his prescriptions for controlled substances. (Amendment to 42 U.S.C. 1396h)

   --Termination from participation (or a very long suspension) from the Federal health care programs after being convicted of violating any provision of the Controlled Substances Act. (Amendment to 42 U.S.C. 1395y(2))

   --Propose model legislation to States providing for lifting a doctor's license to practice medicine if he supplies prescriptions for controlled substances to drug pushers. (Amendment to Title XIX)

   --Extension of the period for funding of State Fraud Control Units for a full three years after date of certification.

   --Legislation making it a Federal offense to pay a carrier, intermediary, State, or fiscal agent employee with the intent of influencing his action in either Medicare or Medicaid programs.

   --Modification of the "Free Choice of Providers" provisions in the selection of laboratories and suppliers of medical supplies and equipment to permit awards based on competitive bid practices.

CHAPTER VI -- Initiatives To Attack Fraud, Abuse, and Error In Income Maintenance Programs

This Chapter reviews our experience during the past 18 months in working with the States on the matching of Welfare rolls against Federal employment rolls and against other States' Welfare rolls. In Project Match II, we will be concentrating on matches of SSI and SSA Title II rolls.

These efforts have required extended part-time participation by many OIG personnel throughout the regions and extensive interface with other Federal and State agencies. We have learned that much patience is required to administer projects of this type.

Based upon this year's experience we have four recommendations:

1. Continue to consider implementation of three recommendations made last year:

   --That Congress endorse a regular program of matching State Welfare rolls against other files, including Federal military and civilian employees, State employees, Unemployment Compensation rolls, Child Support Enforcement files, mortality data, SSI files, and SSA Title II benefit files.

   --That all State Welfare agencies be encouraged to acquire wage data to validate Welfare benefit application. Those which do not have quarterly wage reporting by employers to the Employment Security Agency should use an alternative source of wage data (e.g., State tax information) to report to the Welfare agencies.

   --That Congress extend to the AFDC program the same funding and incentive benefits now available in the Medicaid program for design and operation of management information systems, and for establishment of recipient Fraud Control Units.

2. Institute full support to the implementation of the National Recipient System (all AFDC recipients' information) by the Department and the Congressional committees concerned.

3. Amend the Tax Reform Act of 1976 to permit access to IRS interest and dividend income information as a means of finding unreported resources. Potential annual savings of $45 million in the SSI program.

4. Continue full support to the Office of Management and Budget in developing Federal guidelines for computer matching to assure adherence to the letter and spirit of the Federal Privacy Act of 1974 when using computer matching to ferret out fraud and abuse.

CHAPTER VII -- Initiatives to Attack Fraud, Abuse, and Error In The Student Financial Assistance Programs

The OIG has been a partner in the development of improvements in these systems. We offer seven recommendations for Congressional consideration:

1. Retain an integrated Bureau of Student Financial Assistance if a Department of Education is formed.

2. Establish and sustain fair and equitable refund policy requirements for all Student Financial Assistance programs.

3. Give legislative approval to provide IRS address data to State Guaranty agencies prior to their submitting defaulted cases to BSFA for reinsurance payments.

4. Amend the Family Educational Rights and Privacy Act to provide that, in certain cases, prior notice to a student need not be given before the school complies with a subpoena for student records (the Buckley Amendment).

5. Clarify authority to refer default information to private credit ratings bureaus, and possibly lend legislative attention.

6. Institute an interest cost on Federal monies found to have been misspent by grantees.

7. Give legislative authorization for use of program funds to defray the cost of obtaining records needed for civil and criminal investigations (as consistent with the provisions of Title XI, Right to Financial Privacy Act of 1978).

CHAPTER VIII -- OIG Activities Related To Contracts and Discretionary Grants

During the last Calendar Year, we assisted the Secretary and his Assistant Secretary for Management and Budget in the examination of grant and contract situations involving unusual problems and questions regarding the conduct of Government and grantee officials. This experience led us to identify the need for clear policies on the award of grants when the integrity of key performers is questionable.

We likewise continued extensive audits of universities as the cognizant agency for 94 percent of the Federal audit interest in these institutions.

Growing out of our experience this year, we have made six recommendations:

1. Contracting and grant practices throughout the Department should be examined by the Assistant Secretary for Management and Budget to test the OIG conclusions that special measures and controls are needed to separate contracting operations and peer reviews from program influence.

2. The General Counsel should be sure that all new officials of the Department and others in very sensitive roles are given counsel and assistance to avoid their becoming involved in conflict-of-interest situations.

3. The proposed debarment regulation should be issued promptly to enable the Department to avoid continued awards to programs or individuals who have demonstrated fiscal irresponsibility.

4. HEW should continue to work aggressively with the Office of Management and Budget and other

appropriate organizations to improve the accountability of colleges and universities for Federal contract and grant funds.

5. The double payment issue affecting Public Health Service grants should be addressed and resolved in the current year.

6. Special attention should be applied this year to improving the management of the Title XX program. An OIG report on this matter will be issued in the near future and an OHDS Technical Assistance Manual will become available in May.

In addition to this basic volume and its Appendixes, other reference materials will be available in limited quantities, depending upon the public demand for them. These are:

--The proceedings of the Secretary's First Annual Conference on Fraud, Abuse, and Error held at the Washington Hilton Hotel on December 13 and 14, 1978. All registrants for that conference will receive copies of the proceedings.

--A compilation of memoranda described as "Lessons Learned from Project Integrity I." The 51 participating jurisdictions each have been furnished a memorandum of viewpoints by the regional officials who were the developers and overseers of the project -- the Audit Agency, the Office of Investigations, and HCFA's Office of Program Integrity. A copy of this will be furnished to each State agency and Fraud Control Unit, but it may be a useful reference to others.

--In preparation at the time this report went to printing was a volume of technical memoranda describing computer screening techniques developed for Project Integrity II. These are described in Chapter V of this report and in more detail in Appendix F.

As we did last year, we wish to pay tribute to the Secretary for his unflagging and consistently high support for the independence of this office, for the maintenance of its professional integrity, as well as for its new initiatives. He has observed at all times the letter and the spirit of the statute which confers such independence.

COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION

Senator CHILES. You heard briefly here GAO's testimony regarding the sale of buses in Chicago. Do you think the situation would have been detected by HEW's own audit and investigations mechanism?

Mr. MORRIS. Sir, I'd also like to look into that. But what I have learned just this morning is that we got the original tip on this not from GAO, but from the Internal Revenue Service. They encountered the problem initially, and we do have an ongoing criminal investigation.

Senator CHILES. You have an investigation going on at this time?

Mr. MORRIS. Yes, sir.

ESTIMATED HEW SAVINGS

Senator CHILES. HEW is estimating saving $5.8 billion in fiscal year 1980—$2.4 billion of this amount does not require new legislation.

Has the Inspector General's Office reviewed the validity of these estimates?

Mr. MORRIS. Sir, the annual report which we just talked about has a chapter containing an analysis of the savings program and future opportunities. So the answer is yes, we have given it an initial review. We think it's a commendable program. We think the established targets are tough targets. They're ambitious targets.

Senator CHILES. Do you feel that these savings will be accomplished within the proposed time frame?

Mr. MORRIS. I could not, of course, give you any assurance or guarantee because I don't run the programs. I think the commitment that Mr. Califano and his people have for achieving the savings is quite genuine, and I think there is a good opportunity for success.

Senator CHILES. Last October the Congress directed Secretary Califano to reduce waste, abuse and fraud in the Department's programs by $1 billion. This was a reaction to the annual report that identified $6 to $7 billion for such erroneous expenditures. In your report, are you monitoring the accomplishment of these savings? And how successful has HEW been to date in achieving the billion dollar goal?

Mr. MORRIS. The Secretary has assigned the Assistant Secretary of Management and Budget——

Senator CHILES. You can give me that in thousands, not in pennies.

Mr. MORRIS [continuing]. ——the ongoing responsibility for actually managing the cost reduction program. He has established a full-time unit to do this. We're working with him on that every day. The monitorship is one of the best I've ever seen in the Government, and I've seen a number of cost-savings programs.

The goals for this year, 1979, are now $1.3 billion. They started out at $1.1 billion, but have been increased.

I'm impressed with the motivation of the operating component's search for savings. I think there's a new attitude and a new awareness in HEW. And our report, I'm pleased to say, had something to do with that.

SUBCOMMITTEE RECESS

Senator CHILES. Thank you, Mr. Morris. If you can think of additional information which you think might be helpful to us before we go into oversight hearings with OMB in regard to this accounting mechanism consolidation, we'd appreciate hearing from you on it.

And we thank you for your appearance this morning. The subcommittee will now recess to reconvene at the call of the Chair.

Mr. MORRIS. Thank you, sir.

[Whereupon, at 11:30 a.m., Thursday, March 22, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF LABOR AND HEALTH, EDUCATION, AND WELFARE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

TUESDAY, MARCH 27, 1979

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9:15 a.m. in room S. 128, the Capitol, Senator Milton R. Young presiding.

Present: Senators Young and Hatfield.

NONDEPARTMENTAL WITNESSES

STATEMENT OF RICHARD J. DUMA, NATIONAL FOUNDATION FOR INFECTIOUS DISEASES

OPENING REMARKS

Senator YOUNG. The meeting will come to order. This morning we will begin a public witness hearing on discussion of health related programs. A list of the witnesses will be included for the record.

Because many of the members will be attending an important briefing on the Middle East—this is a pressing time—we will ask that witnesses limit their oral statements to just a brief summary.

However, all of the statements will be placed in the record in their entirety. You may as you wish stay on and brief our subcommittee staff on your ideas of interest. While these comments will not be a part of the hearing record, nevertheless they will give the staff an opportunity to learn more about the matters that concern you.

Again, I would place emphasis on getting full information to our staff because this is a big appropriations bill, and we will be depending a lot on the information gathered by the staff. So it's important to visit with them.

Our first witness then will be Dr. Duma.

Dr. DUMA. Chairman Young, ladies and gentlemen, I'm Richard J. Duma, president of the National Foundation for Infectious Diseases. And I want to thank you for the opportunity to appear before you and to speak to the subject of the fiscal 1980 budget for the National Institute of Allergy and Infectious Diseases.

We have a prepared document that we have submitted to the committee for your review.

NATIONAL FOUNDATION FOR INFECTIOUS DISEASES

The National Foundation for Infectious Diseases is a public, nongovernmental organization interested in the Nation's health and welfare as it relates to infectious diseases, specifically in areas of prevention, education, research, and in certain instances, diseased patients.

The organization represents every State in the Union and is comprised of some several thousand lay and professional people. Some of the most eminent professional men in the medical and microbiological fields are or have been members of its 15 man board of directors. For example, Dr. Maxwell Finland, who is professor of medicine emeritus at Harvard University; Dr. William Hewitt, professor of medicine and chief of infectious diseases, UCLA; Dr. Dorothy Horstmann, John Rodman Paul professor of epidemiology and professor of pediatrics, Yale University; Dr. William T. Hubbert, professor and head of department of epidemiology and community health, school of veterinary medicine, Louisiana State University; Dr. George Jackson, professor of medicine and chief of infectious diseases, University of Illinois; Dr. Jay P. Sanford, dean Uniform Services Medical Institute, Bethesda; Dr. H. J. Shadomy, professor of microbiology and medicine, Medical College of Virginia; Dr. John Sherris, professor and chairman department of microbiology and immunology, University of Washington, Seattle; Dr. John P. Utz, professor of medicine and former dean, Georgetown University; Dr. John Warner, professor of medicine and chief of infectious diseases, Eastern Virginia Medical School; and Dr. Dennis Watson, professor and head of the department of microbiology, University of Minnesota; Dr. Ted Woodward, professor of medicine, University of Maryland; and the late——

Senator YOUNG. All these names appear in the record, and it's really an impressive list. If you'd just summarize.

Dr. DUMA. The reason why I gave that list to you, Senator, was to at least let you know the widespread geographic representation and that certain authorities in the field have considered the subject very carefully.

DECREASED FUNDING FOR INFECTIOUS DISEASES

People interested in and knowledgeable about the subject of infectious diseases and allergy or immunology, that is, reactions of the body to foreign substances or microbes are very concerned about a lack of funding or decreased funding by governmental agencies, particularly the National Institute of Allergy and Infectious Diseases, and particularly at a time when microbiological and immunological sciences are making greater strides and threaten to break open the plethora of unsolved diseases and medical mysteries.

The fields of infectious diseases, microbiology and allergy or immunology are becoming involved in and making inroads into almost every medical discipline in one way or another.

Yet these fields of science are historically often slighted relative to other more glamorous or more popular fields of medicine such as cancer, stroke, heart diseases, and so forth, probably because the science of infectious diseases, microbiology and immunology are so difficult for the nonprofessional to understand and appreciate and thus support.

Support of these fields can seldom be used to political advantage because the public knows so little about them, and this is the sad state of affairs; that is, the lack of public knowledge and dispersal of information, since these are disease that th ey and their children not only struggle from day to day to survive from, but also because the greates promise and potential for immediate benefit rests in solutions to many of the basic questions still unanswered in these fields.

A notable physician, Dr. Paul Hoeprich, chairman of the department of medicine and pathology and chief of infectious diseases and immunologic diseases at the University of California, Davis, once said: "Of all the diseases to which man is heir, those known in etiology, possible of cure, capable of prevention, are for the most part caused by infectious agents."

INCIDENCE OF INFECTIOUS DISEASES

Ladies and gentlemen, infectious diseases are responsible for nearly 25 percent of all visits to physicians each year. For children under 16 years they account for 65 percent of all such visits. Asthma and allergies account for another 9 percent of all such visits.

Look at the success we've enjoyed from research support applied to many of the mysteries of poliomyelitis. Reported cases of paraplegic polio declined from more than 18,000 in 1954 to only 8 in 1976.

Surely we've not forgotten those frightening summers when epidemics of polio were so common and iron lungs were seen at every hospital. But before we pat ourselves on the shoulder too quickly, we're only recently emerging now from a polio epidemic that occurred because of poor education, lack of immunization, and waning immunity.

Indeed, some of the immunization figures given in 1977 were downright shocking and a disgrace nationally—19,000 or over 36 percent of children 14 years or younger were not protected against polio; 13,000 or 30 percent of children 13 years or younger were not protected against measles; 14,000 or 35 percent of the children 12 years or younger were not protected against rubella; and 13,000 or 24 percent of children 13 years or older were not protected against diphtheria, whooping cough, and tetanus, very serious diseases that can cause considerable morbidity and mortality.

SUCCESS OF RESEARCH SUPPORT

The success of research support in polio spilled over into many other areas: Rubeola, rubella, mumps, to name a few.

But gentlemen, I assure you we have only scratched the surface. The euphoria created by the successes and the subsequent complacency these have created are blunting the aggressive approach we should be taking to continue to attack and investigate these diseases. We are letting up and we should be pursuing with more vigor than ever before.

According to the National Health Interview Survey, at least 70 million——

Senator YOUNG. May I interrupt you there?

Dr. DUMA. Yes, sir.

Senator YOUNG. We have to be at a meeting with Mr. Begin and President Sadat. Could you summarize the rest of it. If you can we'll put the rest of it in the record.

Dr. DUMA. Well, I can, but because the American Society of Microbiology wasn't going to be speaking orally, this time was available to us, and I prepared this.

But, yes, I could summarize. I think——

Senator YOUNG. Why don't you go ahead. All of it will be in the record.

LACK OF TRAINING RESEARCH SUPPORT

Dr. DUMA. I think in the text I provided for you I have listed a number of diseases, both in this country and outside this country, that carry a very sizable morbidity and mortality rate, and involve literally hundreds of millions of people. I think that for this country—certainly outside the country—with our good neighbor policy, it's wise that we do conduct more research in infectious diseases relating to many of the unusual exotic or tropical diseases that we are beginning to get on top of. Many of the best people in tropical medicine and exotic diseases are dying off; there's a lack of training. There's a lack of training support, and there's a lack of research support.

The budget for the NIAID indicates now that the appropriations will fall off in terms of training and will fall off in terms of research support. The infectious diseases, I think, is a subject that very few people—and I include yourselves—I think are very much unaware of, lack a certain amount of knowledge of, because they are not commonly talked about subjects, and they are difficult to understand.

If you walk down the street, you'll find very few people that can carry on a sensible discourse about many of them.

BASIC RESEARCH

It's sad because so much can be done about them. So much research has to be done. We really haven't but scratched the surface of many of these areas. Much basic research is needed, particularly in microbiology and immunology, and I think that, often as it is in governmental affairs, the dictates of budgets and so forth follow the interest of various people that happen to be within the Government at the time.

Witness polio with President Roosevelt, heart disease with President Eisenhower, et cetera, stroke in terms of President Johnson, and so forth. This is not the way to carry on sensible research, a stop and start type of effort. When various research programs are underway, they can't be just suddenly halted, and you can't then expect to get a great deal in terms of scientific productivity.

This text really dictates a large number of diseases and I think describes for you quite clearly that we've often solved many of these problems, and if we deemphasize our support in many of these areas or if we wane in terms of our research and educational support, in a few years I think we're going to be very far behind.

In the last decade or so we've made tremendous strides, and I'd hate to see those relinquished because of a lack of understanding and a lack of support of some of the most basic diseases and basic sciences involved in health care.

THRUSTS INTO PREVIOUSLY UNSOLVED DISEASES

The microbiological and infectious sciences I might say, lastly, are making great inroads and thrusts into a lot of previously unsolved diseases and diseases that were not thought to be related to infectious agents; for example, multiple sclerosis, and its association—possible causes by viruses, cancer and viruses, some of the degenerative diseases, and various bacteria and viruses, birth defects and infections around the prenatal and postnatal time, the time of delivery, mental retardation.

All of these areas, if you look very closely and the figures and the data, you'll find that infectious diseases have played a role in many of them in terms of being responsible for them. These studies in the basic science areas, now are probing and in all of these kinds of disciplines are uncovering the root causes, finding the cause.

And once we find the cause, we can often cure many of these diseases. And the best inroads and the greatest inroads historically and currently are being made in the fields of microbiology and immunology in infectious diseases.

CONTINUING SUPPORT NEEDED

And we need this continuing support. We need better appropriations. And it is a sad state of affairs that they are falling off. NIAID has been given a number of mandated responsibilities, such as DNA research facilities and also for a number of contractual arrangements. And consequently, money has been subtracted for research type programs or individual research support.

Senator YOUNG. Thank you for your very good testimony. We're sorry we couldn't give you more time.

Dr. DUMA. Thank you very much, sir.

[The statement follows:]

STATEMENT OF RICHARD J. DUMA

The National Foundation for Infectious Diseases is a public non-governmental organization interested in the nation's health and welfare as it relates to infectious diseases, specifically in areas of prevention, education, research, and in certain instances diseased patients. The organization represents every state in the Union and is comprised of several thousand lay and professional people. Some of the most eminent professional men in the medical and microbiological fields are or have been members of its 15 man Board of Directors, e.g. Dr. Maxwell Finland, George Richards Minot Professor of Medicine Emeritus Harvard University; Dr. William Hewitt, Professor of Medicine and Chief of Infectious Diseases, UCLA: Dr. Dorothy Horstmann, John Rodman Paul Professor of Epidemiology and Professor of Pediatrics, Yale University; Dr. William T. Hubbert, Professor and Head of Department of Epidemiology and Community Health, School of Veterinary Medicine, LSU; Dr. George Jackson, Jr., Professor of Medicine, and Chief of Infectious Diseases, University of Illinois; Dr. Jay P. Sanford, Dean, Uniform Services Medical Institute, Bethesda, Dr. H.J. Shadomy, Professor of Microbiology and Medicine, Medical College of Virginia; Dr. John Sherris, Professor and Chairman, Department of Microbiology and Immunology, University of Washington, Seattle; Dr. John P. Utz, Professor of Medicine and former Dean Georgetown University; Dr. John Warner, Professor of Medicine and Chief of Infectious Diseases, Eastern Medical School, Norfolk; Dr. Dennis Watson, Professor and Head Department of Microbiology University of Minnesota; Dr. Theodore Woodward, Professor of Medicine, University of Maryland, and the late Mrs. Carole DeMille, R.N., former President of the American Practitioners of Infection Control, Massachusetts General Hospital, Boston; and myself, Professor of Medicine, Medical College of Va.

People interested in and knowledgeable about the subject of infectious diseases and allergy or immunology (that is, the reactions of the body to foreign substances or microbes) are very concerned about a lack of funding or decreased funding by governmental agencies, particularly the National Institutes of Allergy and Infectious Diseases (NIAID), particularly at a time when the microbiological and immunological sciences are making great strides and threaten to break open a plethora of unsolved diseases and medical mysteries. The fields of infectious diseases, microbiology, and allergy or immunology are becoming involved in and making inroads into almost every medical discipline in one way or another. Yet these fields are historically often slighted relative to other more glamorous or popular fields of medicine, such as cancer, stroke, heart diseases, etc. . ., probably because the science of infectious diseases, microbiology, and immunology are so difficult for the non-professional to understand and appreciate and thus support. Support of these fields can seldom be used to political advantage, because the public knows so little about them. And this is a sad state of affairs, that is, the lack of public knowledge and dispersal of information, since these are the diseases they and their children not only struggle from day to day to survive from, but also because the greatest promise and potential for immediate benefit rest in solution to many of the basic questions still unanswered in these fields.

A notable physician, Dr. Paul Hoeprich Chairman of Dept. of Medicine and Pathology and Chief of Infectious Diseases and Immunologic Diseases at the University of California, Davis once said:

> "Of all the diseases to which man is heir, those
>
> - known in etiology (that is in "cause")
> - possible of cure
> - capable of prevention
>
> are, for the most part, caused by infectious agents".

Ladies and Gentlemen, infectious diseases are responsible for nearly 25% of all visits to physicians each year. For children under 16 years, they account for 65% of all such visits. Asthma and allergies account for another 9% of all such visits. Look at the success we have enjoyed from research support applied to many of the mysteries of poliomyelitis. Reported cases of paraplegic polio declined from more than 18,000 in 1954 to only eight in 1976! Surely we have not forgotten those frightening Summers when epidemics of polio were so common and iron lungs were in every hospital. But before we pat ourselves on the shoulder too quickly, we are only recently emerging from a polio epidemic that occurred because of poor education, a lack of immunization, and waning immunity. Indeed some of the immunization figures given in 1977 were downright shocking and a disgrace nationally: 19 thousand or over 36% of children 14 years or younger were not protected against polio; 13 thousand or 30% of children 13 years or younger were not protected against measles; 14 thousand or 35% of children 12 years or younger were not protected against rubella; and 13 thousand or 24% of children 13 years or older were not protected against diphtheria, whooping cough, and tetanus.

The success from research support in polio spilled over into many other areas - rubeola, rubella, mumps, to name a few. But gentleman, I assure you we have only scratched the surface. The euphoria created by our few successers and the subsequent complacency these created are blunting the aggressive approach we should be taking to continue to attack and investigate these diseases. We are letting up when we should be pursuing with more vigor than ever before.

According to the National Health Interview Survey at least 70,349,400 reported cases of acute infectious and parasitic diseases occurred in the USA in 1974; that is 1 out of every 4 people every year (not once in a lifetime). There is little reason to doubt that these figures have changed much; if anything they have probably increased. Venereal diseases are steadily rising to alarming proportions. Rocky Mountain Spotted Fever, an often deadly rickettsial infection, is being more frequently reported than ever before; and hospital acquired infections are continually a threat. The same National Interview Survey indicated that 16,343,800 days of bed disability and 21,065,000 days of work are lost each year from infectious diseases among persons 17 years or older, a loss of untold billions of dollars to the economy annually.

Nosocomial infections, that is, those infections acquired by a patient while hospitalized, occur in at least 58% of all acute care admissions. Since there are about 30,000,000 people admitted to acute care hospitals annually in the USA, then about 1.5 to 2.4 million infections are acquired annually in hospitals in this country. Most such infections are serious or lethal. Many are resistant to antibiotics. It is estimated that each such infection increases the stay of a patient about 7 days. The yearly cost to the nation is staggering and in the billions. Just considering board alone at a minimum of $200 a day for a hospital room the costs is 2 to 3.3 billion dollars. Who pays for this? The patient, the public, the taxpayer, your constituents, through third party payments. No wonder the costs of medical care is so high. Today we are only gazing at the surface and just beginning to research this difficult problem area.

Gentlemen, the chances are 7 out of 10 that the next disease you have will be an infection. If you develop such illnesses as cancer, multiple sclerosis, cystic fibrosis, or stroke - and you die - your death will probably be the result of an infection. If you suffer serious burns and recover from the initial shock - your death will be due to an infection. Infections still account for more deaths than any single disease.

The latest figures from the Center for Disease Control (CDC), on outbreaks of foodborne illnesses tell us that in 1976 there were 438 outbreaks involving 12,463 cases. The cause however was only identified in 30% of the outbreaks, indicating we still have far to go. Of those outbreaks confirmed in etiology (cause) 70% were bacterial, 7% parasitic, and 2% viral. Our suspicions are that many more of them are infectious, probably viral.

The threat of influenza is always by our side. You are familiar with the fact that in 1918, 20 million people died that we know of, 500,000 in the USA alone. At the peak of the pandemic, about 175 people in Boston died per day; 1700 people per day in Philadelphia. We should not be deterred from attacking this continual problem simply because of the difficulties associated with the recent "swine flu affair", but we must renew our efforts to control and hopefully eliminate this constant threat. More research is needed.

The discovery of antibiotics gave us a chance to take a deep breath and relax and feel safe and secure. What a false sense of security they represented! Today, fully a third of all hospital pharmacy monies spent for drugs are for antibiotics and fully a third of all drugs prescribed by practicing physicians are antibiotics. Yet infections are just as common as ever - except they're wearing a new face, or due to new organisms. Antibiotic resistance appears to be a slippery game that bacteria play and win at. All around us antibiotic resistance is emerging, in many instances in bacteria that were formerly sensitive.

Antiviral agents are virtually non-existent, yet these infections are among some of most commonly encountered. The common cold is enormously costly to our country - certainly in the billions yearly. Colds account for more than 1 in 4 acute illnesses and close to 300,000 million days of restricted activity, including 35 million school and work days lost. On the other hand about 30,000 infants will require admission to hospitals yearly for croup (principally parainfluenza virus infections) and 12,000 infants will be admitted for bronchiolitis and pneumonia due to respiratory syncytial virus (RSV). Many of these infants will die. Over a hundred different viral agents have been identified as causes of respiratory illnesses; yet these agents can only be identified as the causative viral agent in 50-60% of respiratory infections. Our technology is lagging; small wonder the problem is a major one.

Many infections are being contracted by our cosmopolitan society from traveling outside this country. Many infections thought to be exotic still exist. Estimates are that over 5-12 million cases of leprosy exist in the world today. 100 million cases of malaria occur with a million deaths yearly. What better foreign policy and good neighbor policy could we have than to aid many of our friends living under less fortunate conditions than ourselves then to aid them in the discovery of cures and control of these diseases: schistosomiasis (200 million people in 70 countries); Chagas' disease (8 million in the Western Hemisphere); filariasis (300 million people); and leishmaniasis (untold millions); to name a few.[7]

Birth defects and micarriages are also produced by infectious agents. At least 400 deaths per year and 2000 crippled children are the result of infections at birth. Rubella, cytomegalovirus, and herpes viruses and toxoplasmosis lead the list of responsible culprits. A large percent of children who become mentally retarded are probably also related to infections acquired during or at the term of pregnancy.

Infectious agents or the body's immune responses to them are being increasingly associated with a variety of heretofore unexplained and often classified as degenerative diseases; e.g. viruses causing diabetes mellitus; bacteria and tooth decay; viruses and multiple sclerosis; bacteria and various arthridides; viruses and cancer; and even viruses and arteriosclerosis. Many of these relationships are relatively new and hold the promise for great discoveries. But success will ultimately depend on solid basic science research in microbiology and immunology.

Many new infectious agents are appearing on the scene or are being increasingly recognized because of improved techniques of detection; Legionnaire's bacillus, chlamydia, campylobacter, various vibrios, mycoplasma, and many more you've probably never heard of. Many others are still with us: tuberculosis, gonorrhea, and leprosy to name a few.

Ladies and gentlemen, we implore you not to reduce or level off in supporting research and training at the federal level. This is no time to stop or go backwards. "Stop and start" research has disastrous effects on the scientific community. For the NIAID, expenditures should be increased in individual research initiative programs and in training of new researchers to take up the gauntlet.

We believe that several points are worth bringing your attention to:

First, that the NIAID has been repeatedly underfunded in the past. Second, there should be an increase in funding at least to take care of the problem of inflation. Third, the Institute has lost considerable ground because of mandated DNA research facilities and other programs which funding was taken out of research monies.

A noted Public Health Statesman, Herman Biggs of N.Y., once put it very bluntly but correctly:

"Public health is purchasable. Within natural limitations, any community can determine its own death rate."

Thank you.

NATIONAL EYE INSTITUTE

STATEMENT OF EDWARD MAUMENEE, NATIONAL EYE INSTITUTE

ACCOMPANIED BY:
JOHN W. CHANDLER, FRIENDS OF EYE RESEARCH
SYLVIA N. RACHLIN, MYOPIA INTERNATIONAL RESEARCH FOUNDATION

Senator YOUNG. The next witness will be Dr. Maumenee of the National Eye Institute.

Senator HATFIELD. Mr. Chairman, we will have questions that we can submit to Dr. Duma for the record. I do have questions.

Senator YOUNG. All right. Later? Now?

Senator HATFIELD. We will supply them.

Dr. DUMA. Thank you very much.

Senator HATFIELD. You're welcome.

Senator YOUNG. It is a very special pleasure for me to have Dr. Maumenee testifying on behalf of the National Eye Institute. I don't know a person in the world who's done more for eyesight than Dr. Maumenee. I'm a good example myself of that. I know—you see I have had interocular lens implant operations on both my eyes in recent years. I now have 20/20 vision in both eyes. This technique is the result of eye research by one of the most world renowned eye surgeons throughout the world. So you'll be getting a 50-percent increase. [Laughter.]

Dr. MAUMENEE. I'll second that.

Senator Hatfield, Senator Young, I appreciate very much being allowed to testify before you again. It's been through your interest in research in blinding eye diseases that the National Eye Institute has been able to move with extraordinary speed in solving some of the terrible problems of blindness.

THE EYE AS A TEST TUBE

In the past I've testified before you that the eye was an excellent test tube in which to study many neurological problems because the retina is part of the brain extending forward. The eye is a fine place to study some virile diseases because we can inoculate topically so as to destroy the virile diseases; diabetes, problems of vascular disease, tissue transplant, and cornea transplant.

I am aware of the dilemma that faces Congress at the present time in your attempt to relieve the pressing financial burdens of inflation and taxation and at the same time to fulfill your commitments to the American public for their health problems.

I think I would like to point out today that your support of the Eye Institute for the last 10 years has already begun to pay off financially in the health care of the American public. Certainly, we know that approximately $6 billion a year is spent on the care of the blind today.

CATARACT SURGERY

In the field of cataract surgery alone in the past 10 years the hospital stay of the cataract patient has been reduced now from approximately 10 days to 7 days down to 2 to 3 days, and in many places, the cataract surgery is now being performed on an outpatient basis.

So if you take the average cost of a hospital room as somewhere between $150 to $200 a day and there are approximately 400,000 cataract extractions done every year in the country; so if you multiply that by, say, 7, you come out with a figure of close to half a billion dollars a year in savings in hospitalization in the care of the cataract patients.

Now, after you remove the cataract from the patient, in the past it's been necessary to wear very thick cataract lenses which are unsightly. They distort everything, so that everything is magnified; the room spins around because of the prismatic effect of the glasses. But we improved that by using hard contact lenses. We're now working on soft contact lenses that actually breathe, that allow the cornea to breathe; so you can wear these on the basis of at least a month at a time, and some patients have been able to wear them for 6 months at a time without removing those contact lenses.

INTEROCULAR LENS

Senator Young mentioned the interocular lens, and I have brought one of these along just to show it to you. It's the lens inside the package there. You can pick it up with your fingers. It's the one we started with, and that lens is now put in the pupil of the eye at the time of the operations, and that's how Senator Young was able to be back on the floor reading within 7 days after we did his first cataract extraction.

So it's tremendously speeded up the postoperative rehabilitation of the patients to be able to do this. Now, these lenses——

Senator YOUNG. How many stitches did you use in my eyes? You worked so fast——

Dr. MAUMENEE. Well, the sutures are about 20 microns in diameter; that's about three red blood cells put together.

We used multiple sutures, 10 or 12, closing the wound; that's one of the factors that allows us to speed up recovery. And the lens is sewn in place on the iris, so when the pupil dilates it won't become dislocated and fall out of the pupil.

Granted, these lenses are controversial, and I went over this with Senator Young before using them, because there is the possibility of causing delayed reaction.

RETINAL DETACHMENTS

I'd just like to hurry on because I know your time is very limited, and point out that in retinal detachments that only a few years back patients were hospitalized and kept flat in bed for at least a period of 3 weeks after an operation. Now there are about 50,000 of these done and the patients are up the next day after the operation now, and they're allowed to leave the hospital within a matter of 4 or 5 days or 7 days.

So again, that's another $100 million a year we're saving in retinal detachments.

GLAUCOMA

In glaucoma, this was the cause of about 16 percent of blindness in the country, and it was one of our most frequent operations. Through use of medical therapy we now find that we can control most patient's interocular pressure adequately so that operations are not needed. And just this past year the beta—what is known as the beta blocking agent has been used to treat hypertension. That's found to be quite useful in treating glaucoma so that you don't have to go through the problem of having the pupil constricted and all the visual effects from that therapy.

DIABETES

In diabetes I reported to you about the photocoagulation which can prevent 50 percent of the patients who otherwise would go blind from diabetic retinopathy, now can be prevented at least on the basis—if we follow up.

Senator YOUNG. I had a brother who went completely blind from diabetes.

Dr. MAUMENEE. These are the things that have been solved in the past 10 years. There are many problems which are much more difficult to approach in ophthalmology and blinding eye disease. Certainly one of the exciting things is the study on the angiogenesis factor, which is a factor that we found produces blood vessels that make cancer. And we're very excited about that.

The eye has been a great place in which the study of these angiogenesis factors and anti-angiogenesis factors are found.

OTHER PROBLEMS

There are a number of other problems that will be much more difficult to solve; that is problems of macular degeneration. As you know, the population is growing older in this country. The problem is increased longevity, and the macular or central vision degenerates in a fairly high percentage of these patients. And that's going to be an extremely difficult thing to tackle.

There are other things that I have in my report here, but I see time is running out, so I'd like to conclude.

Senator YOUNG. Your entire statement will be included in the record.

RESEARCH LABORATORY CONSTRUCTION

Dr. MAUMENEE. Thank you. I'd like to say that last year the Senate and the Congress and the President signed a bill allowing us to have funds for developing research laboratory construction. And I urge you to approve the $20 million request for 1979 for laboratory construction and to include this also in the 1980 request.

The moneys that we're requesting are well documented in these volumes and on page 9 of this first summary volume.

You can see that the budget that we're requesting for this year, for 1980, is the budget that was actually proposed by a group of around 200 scientists working for a year and a half to develop this data. And documented in these books is where we think the actual funds can be spent. But the budget that we're asking for this year is the budget that this group thought we could very definitely support for 1979.

I thank you very much for your attention and your time on this busy day.

Senator YOUNG. Thank you.

Dr. MAUMENEE. Thank you very much for coming.

Senator YOUNG. I'm glad I was able to see you too.

Ms. RACHLIN. One minute.

Senator HATFIELD [presiding]. Let us sort of get reorganized. Sylvia Rachlin. We'd be delighted to hear from you.

STATEMENT OF SYLVIA RACHLIN

Ms. RACHLIN. Thank you very much, Mr. Chairman, for allowing me to come today. You have my printed report, but I wanted to tell you how grateful we all are to hear the members of your committee and too, may I say, Senator, for permission to come here today in this International Year of the Child.

We want you to know that not only the Myopia International Research Foundation and its friends, but your friends in the AFL–CIO, your friends in the Catholic Daughters of America, Federation of Jewish Women's Organization, Protestant Church Women, Ad Hoc Black Leaders Committee, and other groups want you to know how grateful they are to you for your concern in the past and we know your devotion in the future, especially in this International Year of the Child because more than 1 million American children are doomed to blindness because of a progressive, pathological myopia, together with millions around the world.

What you have already done is a fantastic beginning, not only for the myope but for the victims of all eye disease. And we want to thank you so much for being so kind and so patient. And we want you to know—and we promise to tell more and more people around the United States and in other nations how true and sincere this Senate committee is.

Thank you.

Senator HATFIELD. Well, thank you very much, Ms. Rachlin. It's a great thrill and privilege to have such a positive statement before us.

Ms. RACHLIN. It's true.

Senator HATFIELD. Dr. Chandler, welcome to the committee, particularly as a fellow northwesterner. Glad to have you here this morning. Would you care to make a summary of your statement? Your entire statement will be placed in the record.

STATEMENT OF DR. CHANDLER

Dr. CHANDLER. In an attempt to summarize and use Dr. Maumenee's statement as sort of a springboard, it's an honor for me to speak to you on behalf of the National Eye Institute budget for 1980.

In brief, it's our contention that excellent research will reduce the incidence of blindness and also reduce costs of treating and rehabilitating blind persons.

COST OF THE TREATMENT AND REHABILITATION OF BLIND PERSONS

Some of the highlights: First, the cost which has been mentioned is not only the figure $6 billion, but the most recent estimate for fiscal 1980, including all kinds of treatment for Americans is $8 billion for blind persons.

Senator HATFIELD. Would you put that by me again?

Dr. CHANDLER. The dollar cost for Americans for treatment and rehabilitation for blind persons will be an estimated $8 billion for fiscal 1980. This is based on cost of treatment, hospitalization, lost time from work, and Government assistance programs, and so forth.

In fact, just to the social security programs alone it will cost about one-half billion dollars in fiscal year 1980.

Senator HATFIELD. And that's representing how many people?

Dr. CHANDLER. It represents approximately 117,000 blind, disabled blind persons in a pool of about 1.4 million people who are disabled in the fact that they can't read ordinary newsprint.

And this is——

Senator HATFIELD. 1. what?

Dr. CHANDLER. 1.4.

Senator HATFIELD. That's inclusive in that figure of 117,000?

Dr. MAUMENEE. That's in that blue book.

Dr. CHANDLER. It's documented in the attachments to my statement as well.

Senator HATFIELD. We're still on page 1 of your summary here.

PROJECTION OF COSTS IN FUTURE

Dr. CHANDLER. As far as the future, projection of costs is even more great. It is evident to me at least that costs for individual blind persons are likely to increase each year, and in addition, the National Eye Institute currently reports that aging, diabetes, and other problems will increase the incidence of visual impairment in our Nation by 160 percent over the next half century.

And it's our feeling that really this enormous increase in costs for the blind can only be avoided or at least diminished through additional research, both basic and applied. As Dr. Maumenee presented to you, the National Advisory Eye Council and some 200 consultants put together a 5-year plan from 1978 to 1982. We're already in appropriations behind where we were headed. But I think this has cut heavily into what our future plans would be.

As the director of the National Eye Institute a few weeks ago, I spoke on basic research on the retina. Dr. Maumenee has covered many aspects of the advances we have made. I'd like to just touch on two others briefly: One is herpes virus and infections of the eye. They're now the leading cause, infectious cause of blindness in this country, with some 297,000 cases on an annual basis.

This represents an enormous cost to us in morbidity and blindness. And by trying—I think this is the real crux of what's happening to eye research; we started to draw basic science research interest from other areas. We're starting to realize that the eye, as Dr. Maumenee said, is an excellent test tube, and also an excellent test to see the fruits from hard basic science research. It's an area in which you can apply it, and we're starting to get results.

RECENT ADVANCES

And we've done a number of things; for example, investigators have proved that herpes virus can become resistant to drugs that we've had since about 1963, 1964, and have started to introduce—we now know that the eye disease is really just the sign post, that this virus lives in a latent form in nerve cells distant from the eye, and then if a certain stimulus comes, then it causes recognizable eye diseases.

We treat that but we still have viruses sitting in the nerves. We now have drugs that appear to be able to search out and attack individually these neurons, these nerve cells, find the virus in them and destroy it. And the possible application of this is enormous. We might get rid of this current disease that eventually causes blindness in a lot of people.

Other examples that are clinically important are like uveitis, a recurrent disease with discomfort and may lead to blindness. Basic science has gone on to identify things, little portions of the cells from the retina that can cause a clinical dieases in experimental animals that mimics uveitis.

We now have investigators that are starting to search for these substances in humans. Very sophisticated techniques have shown that complexes of antibodies for things that are recognized as foreign antigens precipitate out in the eye causing uveitis.

We can now—we know that there are people who are genetically disposed to get uveitis, and they too are able to be picked out in the laboratory with things that were thought to be just a laboratory observation; and now we know a lot of people that are at risk. We know what to expect.

So the contention I want to make is that basic science is paying off. We are attracting to the National Eye Institute people from the research community, people from other disciplines who are really working for us.

PRESIDENT'S PROPOSED BUDGET

It is our feeling that the President's proposed budget will just not fit the bill. It really represents a setback. It doesn't come close to what we have projected for the 5-year plan, where we should be in the 5-year plan. We did have top mark on it leveling out at about 200 million and with the new people we're attracting and the enormous impact we can make, I think this is a very good investment.

I urge you to look at what we proposed. And I thank you for your time.

COORDINATION OF RESEARCH RESULTS

Senator HATFIELD. Thank you. Gentlemen, we may have questions to submit to you in writing, but let me just ask you at least one question that always concerns me about research in every field. What kind of correlation do we exercise between research projects, say, out at the University of Washington or the University of Oregon and here at NIH or at the Eye Institute or all over the country. And then how is that cranked into what's happening elsewhere in the world in the same fields of research?

Sometimes I have a feeling that Joe is over here and Bill is over here and Mary is over here. And if they each were aware of what was happening in their respective projects or labs, they might find what they're each looking for; not just in this area of research, but in general areas of research, I often wondered, as a layman, why we even—why we don't have some kind of computer bank which every research project in the world was cranked into and extrapolated.

And what do we know about all these projects?

Dr. MAUMENEE. It's very difficult. And you've had some very excellent testimony from the gentleman just before me on infectious diseases, and which I said—science is so great that you just can't possibly even with a computer keep up with all that. In these two volumes, particularly in this volume, you'll find that scientists who worked for 1½ years went through all the projects at NIH, all of the projects that were being funded anywhere and by private money also, and took down what is being done and what can be expected.

And we have some areas that we say are funded sufficiently now in eye research and no money should go into it. So it's not just a grab bag aspect on everything. There are some things we think can be done, and this is what we were projecting this on.

Granted, there may be some person in the country that doesn't publish very much and we don't know about, but——

DISSEMINATION OF RESEARCH RESULTS

Senator HATFIELD. What is your distribution? This then is the compilation of all of the various research projects by NIH or other private sources.

Dr. MAUMENEE. Here's the total compilation of anything that has anything to do with eyes, whether it be vascular disease——

Senator HATFIELD. What's the circulation system or plan for this?

Mr. WEEKS. It's been distributed to all ophthalmologists throughout the United States, or to most.

Senator HATFIELD. Are there—how many ophthalmologists are there?

Mr. WEEKS. There are 11,000. Board certified, there are around 9——

Senator HATFIELD. But are there other than ophthalmologists that are engaged in research?

Mr. WEEKS. All medical schools receive it.

Senator HATFIELD. Every library? You're dealing with such a highly specialized—I suppose it's easier to do that than, say, cancer research where there is so much activity going on on a broader base.

Dr. MAUMENEE. Yes, cancer research is so much broader than ours, and funded to such a great extent. The Eye Institute is one of the smallest institutes.

Senator HATFIELD. You don't think a computer bank would be helpful?

Dr. MAUMENEE. I think anything would be helpful. We do have a certain form of computer bank and we have a system of research, calculating research papers and things that we use all the time.

INTERNATIONAL RESEARCH RESULTS

Senator HATFIELD. What do you know about what's going on internationally, what's happening in the Soviet Union or——

Dr. MAUMENEE. Very little. I'm vice president of the International Council of Ophthalmology. I'm the next president of the International Congress of Ophthalmology which will be held in San Francisco this month. I will be in Ghent, Belgium, for a meeting with the international ophthalmologists. I'm also on the council of the International Agency for the Prevention of Blindness in which we have work being done in Indonesia at the present time; we have work being done in Guatemala; we have work being done in the Sudan on various other eye diseases.

We'll meet with the Russians. I just visited China last year in May. And the purpose of that was an exchange between ophthalmologists in China and 13 ophthalmologists from this country.

Senator HATFIELD. How much of the information relating to those projects is distributed, say, to ophthalmologists in research labs here in the United States?

Dr. MAUMENEE. We get nothing official from them. It's only in their publications. I do have two Chinese ophthalmologists who have applied, and we work with them—we will work with them this next year. And we have a number of foreign fellows, as many universities have foreign fellows.

COORDINATION OF RESEARCH PROJECTS

Senator HATFIELD. Is there any project that, say, would be sort of an analysis, evaluation, assessment about how to coordinate the research projects, not just in this area, but in all areas?

Dr. MAUMENEE. Would you mind, just taking—getting directly to the point, and asking NEI to send you all that? If you'd like to have that, I'll send it to you.

Senator HATFIELD. No, I would just like to——

Dr. MAUMENEE. It would just show you——

Senator HATFIELD. Just so long as you tell me there is that system, I can understand that.

MEDLAR PROGRAM

Mr. LIERMAN. Medlar's program at the National Library of Medicine is a program that summarizes and details research projects across the United States and around the world, and you can go on line in terms of computer capability, pick the topic that you would like to research or review the state of the art, and basically push a button and that information will come out to you in that form.

Dr. MAUMENEE. Thank you very much. I know your schedule is very tight.

[The statements follow:]

STATEMENT OF A. EDWARD MAUMENEE, M.D.

I wish to thank the members of this Committee and the Congress for the enthusiastic support you have given to the National Eye Institute. Your interest is the crucial factor that has permitted the Institute to move with extraordinary speed to fulfill the directive given it to take effective action against the terrible problems of blindness and visual disability that are a plague upon our country and upon the world.

I am aware of the dilemma that confronts the Congress today in seeking to meet its commitments to the health of the American people, while at the same time it is attempting to relieve them of the crushing financial burdens of inflation, taxation and the rising cost of health care. I testify today for an increase in the National Eye Institute budget for Fiscal Year 1980 because I am convinced -- and believe I can demonstrate to you -- that the funds you appropriate for eye research result in savings of far greater magnitude than the amount invested, savings that accrue directly to our government and to every individual who faces the prospect of hospitalization and surgery. There are other savings in terms of human life and dignity, and these I know have the deep concern of this Committee. But in view of the immediate problems of financing health care, my testimony today will focus largely on the economic aspects of eye research and its results.

We certainly should desire fiscal responsibility in government but reducing our efforts in biomedical research is absolutely counterproductive. We must ask ourselves if we can afford the cost of $7 billion every year in care and services to the blind when alternatives can be found through which much loss of sight may be prevented. We are demonstrating through research that there are alternatives to be found that will reduce the 600,000 eye operations that are presently performed every year. We are finding that the huge expense of hospitalization can be cut dramatically, and even eliminated, through research. Some of these alternatives are already in practice. Others are on the way. The comparatively modest amounts appropriated to the Eye Institute over less than a decade are even now paying off in multiples of that investment, and I shall give you specific examples.

I respectfully remind you that studies of the eye and its diseases were carried out for years under conditions of almost total neglect. During the period when laboratories for the study of other health problems proliferated and scientists were attracted to other disciplines by the enthusiastic funding of their projects, the problems of eye disease were largely unchallenged. Today, through the support given by this Committee, there is no more fertile field for immediate progress in saving the sight of many thousands who once would certainly have become hopelessly blind.

Among these are people of all ages, victims of cataracts, glaucoma, retinal disorders, infectious diseases, oculo-motor conditions --- the list of eye afflictions is long, and so is the history of their toll in human misery. I would like to tell you briefly today of the progress that has been made in dealing with certain of these diseases. Perhaps you will also sense, as I have, the feeling of growing achievement that pervades departments of ophthalmology in the scores of medical schools that are the backbone of this nation's eye research effort. In no other biomedical discipline are the results of research so quickly translated into benefits for patients.

Cataracts have afflicted man since the beginning of time -- and their removal is among the first of recorded surgical procedures. But it is a gauge of man's historic inability to deal with eye diseases that the fundamental surgery for cataracts remained primitive through the centuries, and only recently post-operative care required as much as ten days of hospitalization, so sensitive was the procedure and the risks involved. The development of new surgical techniques, new surgical materials, drugs, micro-instrumentation, and increased knowledge of the eye's anatomy, have produced a revolution in cataract therapy. Hospitalization has been reduced on the average to two or three days, and in some cases it is possible to carry out the removal procedure in the physician's office. When you consider that an estimated 400,000 cataract operations are performed each year, with hospital room costs averaging $150 to $200 a day, the saving in this one aspect of medical costs alone is $60 million to $80 million per day saved, or about one-half a billion dollars a year.

While the removal of a cataractous lens is almost always accomplished successfully, its absence may bring other visual disturbances, such as the gross magnification of images that must be corrected by the use of lenses. Research has replaced the thick, "coke-bottle" eye glasses with a hard contact lens, and succeeded that with the soft contact lens. And research now is proceeding toward the development of a soft lens that "breathes" and therefore may be left on the cornea for an extended period of time without damage to the surface. There has now been introduced the artificial intraocular lens, a tiny disc of optically-processed plastic that is implanted and attached inside the eye at the time of cataract surgery, replacing the natural lens. Its natural position in the eye averts the problem of magnification and provides full peripheral vision. Although not universally successful, the implant is proving to be a great blessing for selected patients, and especially for the elderly. It is estimated that 100,000 intraocular lenses will be implanted in the United States during the year ahead.

But surgery is not an ultimate answer, and means are being sought to avert surgical intervention. Major efforts are under way to halt or retard the development of cataracts through the use of chemical agents. An enzyme called aldose reductase has been identified as a cause of one form of cataract -- the so-called "sugar cataract" --

and a group of chemical substances has been found which inhibit the enzyme's activity. These and other substances are being manipulated and tested in an effort to produce a potent, safe and effective medical therapy for clinical use in humans, opening the way toward non-surgical control for this ancient, worldwide affliction. Success would bring an incalculable reduction in the cost of health care.

On another front we find an important breakthrough occurring in the treatment of glaucoma. Efforts to avert the blinding effects of this disease have centered on the continuous use of drugs, administered frequently throughout the day as eye drops, to reduce intraocular pressure. For many people, the therapy is unsatisfactory, accompanied by blurring of vision, dizziness and other side-effects in addition to the inconvenience of frequent application. For a significant number of others, standard medications do not reduce pressure and surgery becomes necessary.

Recently a new group of drugs has occupied the attention of vision scientists -- the so-called beta-blocking agents used in the treatment of high blood pressure. For several years these agents have been studied for possible use in glaucoma therapy, and last September one of them was cleared by the Federal Drug Administration for general clinical application. Reports on its effectiveness have been most heartening. Many patients with intractable glaucoma, who have been on maximum therapy, experience substantial drops in intraocular pressure when the beta-blocker is added. Two separate scientific reports suggest that two-thirds of patients with uncontrolled glaucoma have responded to the new treatment, averting or at least postponing surgery after a year's follow-up. Except for some limitations on its use in certain patients the drug exhibits almost no side effects and may be administered only once or twice each day. It will not be known for some time if this medication will stand the test of long-term use. But the opening up of this new field of beta-blocking agents to exploration by vision scientists is itself an enormously significant advance in eye research.

Consider the economic advantages of a medication that affects a substantial reduction in the number of glaucoma operations which now account for three per cent of all eye surgery, adding $16 million in surgical fees to the cost of medical care each year, plus hospital costs and associated expenses. Consider, too, the delight of patients who otherwise would face the trauma and heavy expense of operations, or whose jobs are jeopardized by the inability to see clearly, to read, drive a car or perform other normal visual functions -- consider how research affects these people who find that their vision and indeed their lives are restored by a few drops of liquid.

Some savings resulting from research are of such magnitude that one can only approximate their total. How does one calculate the economic benefits derived from the prevention of an entire lifetime of blindness for 6,000 newborn babies? That is the estimated number saved as a result of research that pinpointed excessive oxygen as the cause of retrolental fibroplasia in premature infants. The cumulative cost of a lifetime of care and government assistance for those 6,000 little ones rescued from blindness at birth has been estimated at many billions of dollars. The total cost of the research was $150,000.

Without doubt, the greatest problem faced by ophthalmology today and for years to come is the alarming increase in diabetic blindness. There are at present some 10 million known diabetics in the United States, a very large percentage of whom will develop diabetic retinopathy if they live long enough. In the search for effective methods of treating this disease, researchers developed various techniques of photocoagulation, using concentrated pinpoints of heat to control the proliferation and hemorrhaging of retinal vessels. The adaptation of the laser for ophthalmic therapy opened wide this area of research, and the National Eye Institute took on the responsibility of testing the potential of various coagulation techniques by conducting the first nationwide Diabetic Retinopathy Study. These extensive field trials demonstrated that photocoagulation reduced the rate of blindness from the disease by more than 50 per cent over a four-year period. The Institute estimates that approximately $130 million could have been saved if this method of treatment had been applied to those presently blind from diabetic retinopathy. As a result of the study and the establishment of the effectiveness of photocoagulation, such savings of both sight and money are now being realized.

The savings I have cited are real -- they are accruing now, reducing the burden of health care for the government and for individual patients and their families. Such savings would not be possible without the recognition by this Committee of the extraordinary opportunities presented by eye research in what amounts to man's first concerted attack on blinding diseases. What has been achieved in this initial thrust of a young Institute as it moves into a field ripe for productive exploration are only the first products of an enormous potential. Outstanding vision scientists throughout the country are finding limitless opportunities for the application of new knowledge to the saving of sight. Their grant requests reflect the excellence of their training, the breadth of their knowledge and the sincerity of their commitment to eye research. Their ideas and concepts provide a glimpse of advances in the treatment, cure and prevention of eye diseases that were not dreamed of when the Institute was established.

For the first time we are seeing developments in basic research that give hope for an understanding of the basic processes at work in retinal disorders, macular degeneration, diabetic retinopathy, retinitis pigmentosa and other conditions that have defied all previous efforts at explanation. It is in these areas of basic research that the biggest pay-off will come, for diseases of the retina account for nearly half of all cases of serious visual impairment and blindness in the United States. Among these, senile macular degeneration stands as the scourge of those who have lived past retirement age -- a group that each year increases in number and vitality and for whom the loss of useful vision is a devastating blow. The population of Americans over the age of 65 presently stands at almost 25 million -- or 11 per cent of the population. By the year 2000 there will be close to 32 million in that age bracket, and the projections increase still more sharply beyond that. There is presently no cure for macular degeneration, no preventives, and no truly effective therapy. Without a tremendous research effort, it can be expected that millions of aging Americans will live out their increasingly longer days unable to enjoy those pleasures to which they looked forward in retirement.

Spurred by the increased funding of eye research by the Congress, a great awakening of interest and activity has occurred in respect to the retina. In the absence of living human retinal tissue for laboratory study, scientists have begun to develop animal models of these diseases. An enzyme defect has been found in certain strains of both dogs and mice with inherited retinal degenerations, suggesting that an enzyme abnormality may lie at the root of this disorder in man. Another type of defect, the absence of a protein that metabolizes vitamin A for use by retinal cells, has been implicated in a rare type of retinitis pigmentosa. Such findings are opening wedges into the mysteries surrounding retinal disorders, openings that we expect to exploit fully with continuity of research support.

Scientists are studying the processes involved in the breakdown of retinal blood vessel walls that is a characteristic of diabetes -- a process that begins before any outward signs of retinal damage are observable by the ophthalmologist. A new technique called vitreous fluorophotometry now makes it possible to detect minute degrees of leakage of retinal vessels, providing a valuable tool for research and for the testing of potential therapies.

Efforts to block the growth of proliferating blood vessels in the eye have been encouraged by the discovery and continuing study of what is called an "angiogenesis factor" in malignant cells. This is a substance that is exuded by cancerous cells and which stimulates the growth of blood vessels in the surrounding area. An inhibiting substance has been found which apparently blocks the growth of the vessels, opening a major area of study with potential application to diabetes, sickle cell anemia and the study of cancers. Once again it has been demonstrated that the eye is the most effective test tube for the study of the life processes -- and disease processes -- as they take place within the human body.

The National Eye Institute has set a specific course of action for the achievement of major objectives in saving sight. That course is defined in detail in the exhaustive National Plan developed by the National Advisory Eye Council in 1977 which established reasonable goals for the years 1978 through 1982. Included in the report are estimated budgetary requirements for each year, based upon anticipated productivity and growth. The Citizens Proposal for Fiscal Year 1980 which I wholeheartedly urge this Committee to support is for an amount which the National Plan contemplated for the Fiscal Year 1979. So you see that while our research objectives are on target, the budget has failed to keep the pace. It is our hope, and our urgent plea, that this Committee will not permit further retrogression in what I am sure you recognize as a reasonable plan.

The Congress recently expressed its further support for the natural growth of eye research by enacting enabling legislation to permit the funding of Research Laboratory Construction and Renovation to provide sorely needed laboratory space for eye research in the nation's medical schools. In response to a survey conducted by Research to Prevent Blindness, Inc.(RPB) early this year, 59 out of 70 medical schools indicated that they are presently in negotiation for construction or renovation that will double the space now available for investigative ophthalmology within the next few years. We believe this to be a clear affirmation of their dedication to the fight against blindness and their confidence in the growing capabilities of their departments of ophthalmology.

Included in the Citizens' Proposal, therefore, is a request for a supplementary appropriation of $20,000,000 for Research Laboratory Construction and Renovation for Fiscal Year 1979, and the inclusion of a similar amount in the Citizens' Proposal for Fiscal Year 1980.

It is my urgent request that this Committee recommend approval of the appended Citizens' Budget Request of $163,002,000 for the National Eye Institute for Fiscal Year 1980 and the additional Supplementary Proposal of $20,000,000 for Fiscal Year 1979. The FY 1980 request contemplates expenditures in the following program areas: for Retinal and Choroidal Diseases, $53,664,000; for Corneal Diseases, $17,612,000; for Cataract, $13,354,000; for Glaucoma, $15,362,000; for Sensory-Motor Disorders and Rehabilitation, $26,694,000; for Intramural Laboratory and Clinical Research, $11,949,000; for Research Laboratory Construction and Renovation, $20,000,000; and for Research Management and Program Services, $4,367,000. Financial tables related to the proposed budget of $163,002,000 for Fiscal Year 1980 and the supplementary proposal for Fiscal Year 1979 are appended to my statement.

I deeply appreciate the opportunity to present this testimony and I welcome the Committee's questions. Thank you.

Table 1

National Eye Institute Supplemental Appropriation - Citizens Proposal, FY 1979

	FY 1979 Appropriation	FY 1979 President's Budget Request	FY 1979 Citizens Supplementary Proposal
Research Laboratory Construction & Renovation	-0-	-0-	$ 20,000,000

Table 2

National Eye Institute Financing-Citizens Proposal, FY 1980

BY ACTIVITY:	FY 1979 Appropriation	FY 1980 President's Budget Request	FY 1980 Citizen's Proposal
Grants:			
Research..................	$ 76,373,000	$ 74,524,000	$ 98,848,000
Research Laboratory Construction & Renovation	-0-	-0-	20,000,000
Core Center Grants........	4,149,000	4,197,000	4,397,000
Specialized Clinical..... Research Centers.........	1,561,000	1,593,000	1,193,000
Developmental Research... Centers..................	-0-	-0-	8,000,000
Individual Training.......	1,191,000	1,313,000	2,097,000
Institutional Training...	3,452,000	3,330,000	4,291,000
Total Grants..........	86,726,000	84,957,000	138,826,000
Direct Operations:			
Intramural Laboratory and Clinical Research...	8,419,000	8,920,000	10,513,000
Research and Development Contracts................	5,833,000	6,000,000	9,000,000
Biometry, Epidemiology and Field Services......	550,000	575,000	600,000
Research Management and Program Services.........	3,664,000	4,076,000	4,063,000
Total Direct Operations	18,466,000	19,571,000	24,176,000
Total Obligations......	$105,192,000	$104,528,000	$163,002,000
BY PROGRAM:			
Retinal and Choroidal Diseases..................	$ 39,955,000	$ 39,466,000	$ 53,664,000
Corneal Diseases...........	13,331,000	13,015,000	17,612,000
Cataract....................	9,278,000	9,041,000	13,354,000
Glaucoma....................	10,855,000	10,717,000	15,362,000
Sensory-Motor Disorders and Rehabilitation.............	19,140,000	18,718,000	26,694,000
Intramural Laboratory and Clinical Research.........	8,969,000	9,495,000	11,949,000
Research Laboratory Construction & Renovation	-0-	-0-	20,000,000
Research Management and Program Services...........	3,664,000	4,076,000	4,367,000
Total Obligations......	$105,192,000	$104,528,000	$163,002,000

Note: Fiscal Year 1980 begins Oct. 1, 1979.

BIOGRAPHICAL SKETCH

A. EDWARD MAUMENEE, M.D., is Professor of Ophthalmology and Director of the Wilmer Ophthalmological Institute of The Johns Hopkins University School of Medicine and Hospital. He is Past President of the American Academy of Ophthalmology and Otolaryngology; the Section of Ophthalmology of the American Medical Association; the Association for Research in Vision and Ophthalmology; and the Pan American Association of Ophthalmology. He is founder and Past President of the Association of University Professors of Ophthalmology and serves as ophthalmic consultant to the Surgeon General of the United States Navy. A founding member of the Scientific Advisory Panel of Research to Prevent Blindness, Inc. (RPB), he was the 1976 recipient of the distinguished RPB Trustees Award for Outstanding Ophthalmic Achievement. Dr. Maumenee has been closely associated with the objectives of the National Eye Institute since its establishment and was Chairman of the National Advisory Eye Council Planning Committee that conducted the comprehensive study which culminated in the recent publication of the authoritative report entitled Vision Research: A National Plan 1978-1982.

STATEMENT OF SYLVIA N. RACHLIN

MR. CHAIRMAN AND MEMBERS OF THE SENATE SUBCOMMITTEE ON APPROPRIATIONS FOR LABOR, HEALTH, EDUCATION AND WELFARE:

During this International Year of the Child, the MYOPIA INTERNATIONAL RESEARCH FOUNDATION urges increased dedication to all research that would promote early detection, treatment and prevention of eye disorders. Healthy eyes in childhood offer greater promise for a happy and productive life.

Deep is our concern for the public health and, more particularly, eye care. Americans spend over five billion dollars annually for eye care. In addition, eye disorders account for suffering to individuals and their families that is beyond all statistical measurement.

The Myopia International Research Foundation has, therefore, sought and secured the joint support of consumer groups in its crusade on behalf of high standards of public health and eye care. Among these groups are the Catholic Daughters of America, the Federation of Jewish Women's Organizations, the National Council of Jewish Women, groups of Protestant Churchwomen, leaders in the Labor Movement, and the Ad Hoc Black Leaders Committee.

The Myopia International Research Foundation is convinced that research into the causes, treatment and prevention of myopia could revolutionize the entire practice of eye care and promote the prevention of blindness. We, therefore, recommend to this Honorable Committee that it give generous support to the requests of the National Eye Institute to make possible increased grants for research. The returns will prove most beneficial to our national health and economy.

PERTINENT FACTS

The Myopia International Research Foundation, Inc. launched the first comprehensive, interdisciplinary research program in the United States into the causes, treatment and prevention of nearsightedness.

Our immediate goal is to save the eyesight of more than one million American children (besides millions around the world) who are doomed to blindness because of progressive, pathological myopia for which there is no known cure. This, we are doing with the cooperation of doctors in the United States and elsewhere throughout the world.

The Myopia International Research Foundation sponsored the First International Conference on Myopia in 1964.

Since 1965 the Myopia International Research Foundation has appeared before Appropriations Sub-committees of the U.S. Senate and House of Representatives appealing for increased support of eye research through the National Eye Institute. In recent years, the Foundation has been one of the two Public Witnesses invited by these committees to present testimony on needed eye research for the entire nation under the National Eye Institute.

The Myopia International Research Foundation has been invited to exhibit at conventions of the American Academy of Ophthalmology and Otolaryngology. An increasing number of ophthalmologists has become interested in our Program.

By invitation, the Myopia International Research Foundation has had exhibits at the International Congresses of Ophthalmology. These presentations were enthusiastically received by eminent doctors from all continents.

The Voice of America broadcast details of our Program to all nations on two occasions.

Through gifts of printing, Myopia Research Papers are published and distributed without charge to interested doctors throughout the world.

The Myopia International Research Foundation is idealistic in its operation. No money whatsoever is spent on any administrative salaries or professional fund raisers.

Our intensive efforts continue daily to help widen the channels of communication among doctors interested in myopia research.

STATEMENT OF JOHN W. CHANDLER, M.D.

Summary

The National Eye Institute requires a budget of $133 million for the 1980 fiscal year instead of the $105 million requested in the administration's proposal. We believe that there is good evidence that the $133 million budget proposed by FERRAT offers a far greater opportunity to reduce the enormous costs associated with blindness. In brief, it is our contention that excellent research will reduce the incidence of blindness and and also reduce the costs of treating and rehabilitating blind persons.

The dollar costs to Americans for the treatment and rehabilitation of blind persons will reach an estimated 8 billion dollars in fiscal year 1980. In addition, the National Eye Institute currently reports that aging, diabetes and other problems will increase the incidence of visual impairment in our nation by 160% in another half century. This can only be avoided, or at least be deminished, through additional research, both basic and applied.

Basic scientists from other fields have just begun to recognize the unique opportunities to join established investigators in eye research. Basic science researchers have made a number of discoveries that have directly lead to improved clinical care. The future is even more promising if adequate funds are provided to support eye research.

FERRAT recommends that the budget for fiscal year 1980 be $133 million in order that eye research can continue on the systematic and prioritized five year plan that has been described in the publication of the National Advisory Eye Council entitled, Vision Research, a National Plan: 1978-1982.

Mr. Chairman and Members of the Committee:

It is an honor for me to have the opportunity to address this committee on the matter of the budget for the National Eye Institute for fiscal year 1980 as a spokesperson for Friends of Eye Research, Rehabilitation, and Treatment (FERRAT). This organization represents the views of concerned citizens, patients with blinding eye diseases, and eye physicians and scientists who serve these patients. These persons share in common certain concerns - the personal hardships of blinded individuals; the enormous costs, both personal and to the public, of blinding eye diseases; and the critical need for an adequate budget for the National Eye Institute to carry out research to successfully prevent and treat these eye diseases.

My specific purpose for speaking to you today is to demonstrate to you, on the basis of past performances and future needs, that the National Eye Institute requires a budget of $133 million for the 1980 fiscal year instead of the $105 million requested in the administration's proposal. The members of FERRAT recognize that there is a strong need to exercise fiscal constraint. However, the administration's proposed budget represents a significant reduction in real dollars available for research because of the recent rises in the costs of living. As I will detail in a moment, we believe that there is good evidence that the $133 million budget proposed by FERRAT offers a far greater opportunity to reduce the enormous costs associated with blindness. In brief, it is our contention that excellent research will reduce the incidence of blindness and also reduce the costs of treating and rehabilitating blind persons.

Costs of Blindness

The dollar costs to Americans for the treatment and rehabilitation of blind persons will reach an estimated *8 billion dollars* in fiscal year 1980. This figure is based on estimated costs of treatment, hospitalization, lost time from work, and governmental assistance payments. Recent statistics published by the American Foundation for the Blind show that some 10 million Americans are victims of major eye problems that cannot be corrected by regular medical, surgical, or optometric intervention. About 1.4 million are so impaired that they can not read ordinary newsprint. There are nearly 117,000 disabled blind persons receiving benefits under OASDI. Total benefits paid to this group in 1978 were $308 million, and the figure is expected to reach $330 million in 1979 according to the projections of the Social Security Administration. (Exhibits #1 and #2).

Likewise, supplemental security income for the blind is a large cost. Almost 75,000 blind persons qualify for the program which in 1978 distributed $153 million. (Exhibit #3). Taken together, these two Social Security programs alone will cost approximately one half billion dollars in fiscal year 1980.

These figures just begin, however, to tell the story. A 1972 study cited in *Support for Vision Research* (a 1976 report of the National Advisory Eye Council) shows that about $1.25 billion was spent for custodial care of those with severe visual impairment. Nursing home care alone was $829.3 million, while persons in other types of institutions account for $419.2 million. The total cost of visual disorders and disabilities in 1972 was $5,088,900,000. The figure in fiscal year 1980, according to the National Eye Institute, is approximately $8 billion. This does not take into account many indirect costs. (Exhibit #4).

Even if one does not agree with all of the figures in these tables showing direct and indirect costs, they do point up the enormous economic consequences of blindness and severe visual impairment. The costs resulting from these diseases and trying to restore or otherwise compensate for these disabilities can be reduced only by advances in research and better application of existing knowledge. The projection of these costs into the future is even more staggering. It is evident that the costs per individual are likely to increase. In addition, the National Eye Institute currently reports that aging, diabetes, and other problems will increase the incidence of visual impairment in our nation by 160% in another half century. This can only be avoided, or at least be diminished, through additional research, both basic and applied.

Savings Made Possible Through Eye Research

In its recently published study entitled, *Vision Research, A National*

Plan: 1978-1982, the National Advisory Eye Council in collaboration with vision scientists presented a systematic plan for the next five years of vision research. This study addressed the problem of how much money could be profitably spent, where it should go, and what kind of ceiling on spending is required. Five major eye disease categories were pinpointed and stringent research priorities were set within each category. This highly systematic approach is the key to winning the battle against major eye diseases, not only by restoring visual function to individual persons, but also by greatly reducing the cost. Unfortunately, the funded budget in fiscal year 1979 was approximately $100 million, while the five year plan called for $143 million. The disparity between the administration's proposed $105 million budget and the $171 million called for in the five year plan is even greater for fiscal year 1980. The proposal by FERRAT is an intermediate figure of $133 million. In the five year plan, it was proposed that the budget for the National Eye Institute would level off at $200 million in fiscal year 1982.

It is difficult to project what portion of funds should be directed toward research on blinding diseases. However, the allocation of funds for research and development in many science and technology-related industries is based on a percentage of total spending activity in the industry as a whole. For example, NASA puts approximately 75% of its expenditures into research and development. The pharmaceutical industry invested 7.3% of net sales in 1974 into research and development.

In the case of eye research for the fiscal year 1980, FERRAT would recommend a budget of $133 million. This proposed budget does not include building new clinical centers or other inordinately expensive items. This budget is predicated on approximately 1.66% of the annual cost of care for people with visual impairment in fiscal year 1979. It is reasonable to project that the support for vision research should continue at a level between 1.0% and 2.0% of the over-all cost of the problem.

Examples of the Effectiveness of Research

The Director of the National Eye Institute recently appeared before this committee. He detailed recent advances made by basic research on the retina and described how basic knowledge in this area has lead to improved understanding and treatment of human retinal diseases. I would like to briefly describe some other areas of basic eye research that have lead to similar improvements.

Cell biologists have discovered that individual cells possess minute structures known as actin filaments that enable cells to move. When a corneal abrasion occurs or cells are lost from the surface of the cornea by infection, these actin filaments enable neighboring cells to cover the denuded area and heal the cornea. These researchers have also demonstrated that certain topical medications inhibit the activity of these filaments and prevent healing. By defining this basic mechanism of wound healing and outlining a rational approach to clinical management, these investigators have helped to reduce the duration of incapacity after corneal abrasions and infections.

The cornea also has a critical layer of cells on its inner surface. These are known as endothelial cells. They do not replenish themselves and are susceptible to trauma or may proceed to early senescence and die. When this occurs, the cornea swells and becomes cloudy with a marked reduction in vision and a corneal transplant is required to restore vision. Basic science researchers have shown that these endothelial cells are similar to those cells that line a blood vessel. In experimental animals it is now possible to replace injured corneal endothelial cells with cells obtained from a blood vessel of the same animal and grown in tissue culture. Since these cells are from the host, they can not be rejected. These studies suggest that there may be an alternative way to restore vision in these diseases without the costs and risks associated with standard human corneal transplants.

Herpes virus infections of the cornea are the most common infectious cause of blindness in this country. It is estimated that 297,000 cases occur annually. Basic scientists have made several key discoveries that have translated into improved understanding of this ocular disease and improved therapy. For example, it has been demonstrated that this virus can become resistant to a given antiviral drug and that these infections may require switching of drugs in cases of treatment failure. It has also been shown that a recurrent form of the disease is usually the most debilitating. The virus resides in a latent form in nerve cells distant from the cornea. After certain stimuli, the virus activates and migrates to the eye to cause recognizable disease. The drugs that are currently available treat only the eye disease. Basic research is now uncovering drugs that can enter nerve cells that are infected with herpes virus and selectively kill those cells. The potential clinical application of this research offers hope of curing recurrent herpetic disease and its associated blindness.

Uveitis is an inflammation of the vascular tissue within the eye. It can be a recurrent disease with discomfort and may lead to blindness. There are many possible causes of uveitis including certain infectious agents. However, most cases have, to date, been attributed to unknown causes. Basic research has provided some promising new leads. Scientists have now demonstrated that a particular constituent of cells in the retina can cause an immune response and produce uveitis in experimental animals. This material is now being searched for in human cases. In another experimental model, it has been demonstrated that complexes of antibodies and the substances they recognize which are known as antigens can by chance adhere to the walls of blood vessels of eyes and produce an immune reaction that produces the clinical picture of uveitis. Other researchers have discovered sensitive assays that can determine the presence or absence of these complexes in serum. Investigators have also demonstrated that persons of certain genetic composition are more likely to develop uveitis. They can determine if a given patient has a susceptible genetic composition by studies similar to those used to match a kidney transplant patient with a suitable donor. All of these basic research studies are entering the application stages where they will become valuable in the management of humans with blinding eye diseases.

Conclusions

In conclusion, certain key points can be reviewed. The costs of blindness are enormous. The administration's proposed budget of $105 million for fiscal year 1980 represents a setback for eye research at a key time. Eye research is now recognized by scientists in other fields as an area where they can apply their basic knowledge and make contributions that help prevent or treat blinding diseases. FERRAT recommends that the budget for fiscal year 1980 be $133 million in order that eye research can continue on its five year plan and attract new investigators from other disciplines. We hope that you agree with our contention that excellent research will reduce the incidence of blindness and also reduce the costs of treating and rehabilitating blind persons. To accomplish these goals will require a budget of $133 million in fiscal year 1980. (Exhibit #5).

EXHIBIT #1

EXAMPLES OF GOVERNMENTAL ASSISTANCE PAYMENTS FOR THE VISUALLY IMPAIRED:

Combined and compiled in cooperation with the Research Statistics Branch of the Social Security Administration, Baltimore, Maryland.

OASDI PAYMENTS

Calendar Year 1978 Payments*	Projected for 1979 Calendar Year*
$308,000,000	$330,000,000

* This represents 116,862 disabled blind workers receiving an average annual payment of $2,632 per person. These amounts, although they are direct payments to legally blind individuals, do not reflect amounts paid to dependents.

EXHIBIT #2

OASDI PAYMENTS (by breakdown of some key states)

Some Key States	Total Cost 1978	Number of People	Projected Total Cost for 1979
Massachusetts	$ 7,190,000	2,750	$ 7,690,000
Pennsylvania	15,415,000	5,960	16,490,000
Washington	4,950,000	1,820	5,300,000

EXHIBIT #3

Supplemental Security Income for the BLIND (SSI)

Number of People	Total Cost-1977	Total Cost-1978
77,400	$148,000,000	$153,000,000

Some Key States	Number of People	Total Cost 1977	Total Cost 1978
Massachusetts	4,700	$12,310,000	*
Pennsylvania	3,900	6,525,000	*
Washington	525	1,030,000	*

* Figures for 1978 approximately the same as 1977.

EXHIBIT #4

Expenditure or Loss Category*	(Amount $ in millions)
DIRECT COSTS	
Optometric Services & Materials	$1,196.7
Nursing Home Care	829.3
Ophthalmic Drugs & Optical Goods	564.6
Visits to Ophthalmologists	352.5
Inpatient Hospital Care	335.8
Eye Surgery	273.7
Visits to Other Medical Doctors	50.1
Total Direct Cost	$3,603.7
INDIRECT COST (LOSS OF EARNINGS)	
Persons Unable to Work	$ 775.9
Institutionalized Persons	419.2
Women Unable to Keep House	184.7
Days Lost from Work (Acute Episodes)	105.4
Total Indirect Costs	$1,485.2
Total Cost 1972	$5,088.9
Total Cost corrected for cost-of-living increase for 1978**	$7,729.0
SELECTED TRANSFER PAYMENTS	
Compensation & Pension for Blind & Visually Impaired Veterans (VA)	$ 155.0
Supplemental Security Income for the Blind (SSA)	127.1
Rehabilitation of Blind and Visually Handicapped (RSA)	51.1
Loss of Federal Income Taxes from Blindness Exemptions	15.0

* Interim report of the National Advisory Eye Council, 1976; Support for Vision Research; pages 27, 28; U.S. Department of Health, Education, and Welfare; Public Health Service; NIH

** This figure is based on the change in the CPI and does not reflect disproportionate increases in medical costs, nor does it reflect the increase in the amount of medical care that can be given.

EXHIBIT #5

Citizens' Budget for the National Institute - 1978

Budget by Program (In Thousands)

Retinal & Choroidal Diseases	49,911
Corneal Diseases	16,380
Cataract	12,420
Glaucoma	14,288
Sensory Motor Disorders & Rehabilitation	24,827
Intramural Laboratory & Clinical Research	11,113
Direct Operations	2,807
Program Management	1,256
TOTAL, NATIONAL EYE INSTITUTE	133,002

STATEMENTS OF:
GARY G. BORISY, UNIVERSITY OF WISCONSIN
DANIEL NATHANS, JOHNS HOPKINS UNIVERSITY

Senator HATFIELD. I'd like to now invite Dr. Borisy and Dr. Nathans speaking on funding for the National Institute of General Medical Sciences.

Good morning. You're Dr. Borisy. Gentlemen, we do have copies here—yes, we do have copies here of your full statements, and they will be placed in the record.

And if you will proceed to summarize because of our time schedule, we would appreciate it.

Dr. BORISY. I appreciate the opportunity to speak to you as a citizen witness in support of the 1980 budget for the National Institute of General Medical Sciences. I have a brief statement here, but I'll try and make it briefer. So I'll excerpt from my statement and summarize other places.

As you know, the Institute has primary responsibility for basic biomedical research not directed toward a specific disease. It is the principal agent supporting predoctoral research.

I would also like to comment both on the research and training responsibilities of the Institute, as they are intimately interconnected and both vital to maintaining a strong national research effort.

IMPORTANCE OF BASIC RESEARCH

I'd like to stress the importance of the basic research and draw from an example in my own specialty, cell division and cell movement, and indicate how these might be related to child development and cancers. An adult human being consists of approximately 1 trillion cells, and these arise through a series of divisions from a single cell, the egg.

In the development of an embryo, the cell divisions are rapid and are accompanied by movements of the individual cells and by vast migrations of cell populations. Both division and movement are ordered and regulated. Cell division continues in the adult generally at a slower tempo. Cancer is a condition in which a control over these basic processes is lost. If control over the division is lost, then a lump is produced which remains in place and is generally considered benign.

But if control of movement is also lost, then the cells can wander from their proper position and affect other tissues and multiply, and this condition is malignant.

So we can see that both for normal development and for cancer we need an understanding of these basic processes of division and movement.

The NIGMS has supported work in this area and progress has been made. But the machinery responsible for these processes is intricate and wonderously miniatured, so that it is not easy to figure out what the parts are, how they are put together, and how the machinery works.

I submit to you that some of the biomedical problems we are facing are very tough, and we should not deceive ourselves into thinking that solutions are around the corner or that all we need to do is to get results out of the laboratories and into the clinics. We need a sustained commitment to basic research.

Further, we should not allow it to be eroded by budgets that do not at least keep pace with inflation and with the increased costs of more technically demanding research. Some of us in the scientific community have thought previously that some budgetcutting would not be intolerable and would remove the fat. However, from my vantage point on the NIH cell biology study section, I would submit that at least in this area for at least the last 4 years we have seen no fat and have been cutting into bone.

The fact is that good quality research proposals are currently now going unfunded.

SUPPORT FOR NEW AND COMPETING RESEARCH PROPOSALS

I should also like to emphasize the need for continued support of new and competing research proposals. The President's budget for fiscal year 1980 proposes a cut of $46 million for competing research grants. This strikes me as a disastrous idea, since it would sharply diminish the number of new proposals, would exclude many young investigators from getting their own research programs, and would jeopardize a continuum of expertise needed to maintain the research community.

Our scientific manpower pool is a valuable resource and should not be abused. We cannot turn it on and off like a faucet. If current funding practices continue, the brightest young investigators may see other career opportunities and if we then try to turn on the faucet, we may see it dry.

PREDOCTORAL TRAINING

And this brings me to my last point, namely, predoctoral training. Our manpower pool of young investigators draws in turn on our pool of Ph. D. students. Over the years the NIH has created and fine tuned a superb instrument for cultivating the most promising of our students. This training program has already been throttled back to bring supply in accord with demand.

Further decreases in support may decrease the program to a low critical mass and jeopardize the source of vitality for research 10 or 20 years from now. Consequently, I urge support for the professional judgment budget for this item.

Thank you again.

Senator HATFIELD. Thank you very much. Yes, sir.

STATEMENT OF DANIEL NATHANS

Dr. NATHANS. Thank you very much, Senator Hatfield for allowing me to make this statement. I'm going to summarize the statement.

I think my main point really is that probably the most important limitation to progress in the medical field is the lack of fundamental understanding of the different cells. And although there have been really very dramatic advances in biomedical science, the basic science, including my own field of study of heredity, the simple fact is that we often don't know the appropriate questions to ask about a disease process, how to prevent it or how to treat it because we lack fundamental understanding of different organisms.

On the other hand, when we do gain particular advances, notable advances in the basic sciences, I think the record shows that there has always followed an advance at the practical level in terms of disease control, and—so that I think we need to have a very careful look about our investment in the future, particularly in terms of support for new young people coming into basic biomedical science.

It's the nature of this kind of research that it requires freshness, vigor, new vigor, creativity, and I think one gets that only—gets that by only having a continuous infusion of bright and talented young people.

I'm not going to cite particular examples. You can see those in my own areas of interest in which some fundamental fundings have led to important advances at the practical level.

BUDGET FOR NIGMS

But let me go directly to the budget for the National Institute for General Medical Science. I'm concerned with that in this testimony because that is the one institute of NIH which supports nontargeted research which is concerned most of all with basic biomedical science and with the training of new scientists.

And I particularly want to draw your attention to what Dr. Borisy has already mentioned, to some of the sources of support for new talent in the field, namely, support for competing research grants, for training programs, and for research and development.

All of these areas suffer in the President's budget, even leaving aside the inflationary loss.

And I would urge this committee to have a careful look at that aspect, not only of the NIGMS budget, but also the same aspect of the budget of the other Institutes of the NIH; that is, to see that the infusion of new people would bring new ideas and creativity into these fields, which is what suffers most of all in my opinion, even at the expense of existing research programs support.

I'm quite aware that there are many pressures in terms of the budget, and so I direct your attention particularly to this aspect of it. Thank you very much for your attention.

COMMUNICATION WITH OTHER CENTERS IN THE WORLD

Senator Hatfield. Thank you gentlemen. Let me ask you also the question: Do you have a—some system of communication with other centers in the world that are involved with this type of research?

First of all, where are the other centers of the world where most of the major research is a factor?

Dr. Nathans. Well my own area is molecular genetics and microbiology. I think that the United States has by far the most active research program in the world, but there are centers in Great Britain, in Germany, in France, in Scandinavian countries.

Our primary means of learning what is going on in other labs is from publications and journals. That usually means a lag time of from 3 or 4 months to 6 or 7 months. Another means we have which is more rapid is by attending meetings and we have a fair number of international meetings, and interchange in my particular field is extremely rapid.

INFUSION OF YOUNG PEOPLE IN RESEARCH

Senator HATFIELD. You're talking about the infusion of young people in the research area, which I think is a very valid point. The thing that impressed me about the Mayo program, the Mayo Clinic, is that they provide their physicians on staff—I don't know exactly now what the timing is, the cycle is, but they are to go out from there to other parts of the world where their own discipline is being practiced and to get into a personal relationship, contact with places and persons and bring back to Mayo that kind of understanding and information.

REVIEWING INTERNATIONAL CONTACT PROGRAMS

Don't you think there would be some validity to reviewing your international contact program? Meetings I think are very helpful, but what would be the advantage of sending you for a year or two to Great Britain or just for 6 months?

Dr. NATHANS. Well, of course, that is done.

Senator HATFIELD. On a regular program basis?

Dr. NATHANS. Yes; an example would be the university's postdoctoral programs; for students who have finished their doctoral work, they often go abroad to study for 2 or 3 years. And, of course, we have a great deal of——

Senator HATFIELD. That's not a rhythm to that, is there? That's more or less in the professional development stages.

Dr. NATHANS. That's correct.

Senator HATFIELD. But I'm speaking of a person like you, a scientist, a doctor who is really involved and established.

Dr. NATHANS. Well, I'm a particularly good example of what you're talking about because I changed fields back in 1969, and I did that when I took a sabbatical to the Weisman Institute in Israel, and it was during that time that I really developed the ideas that led to research I did subsequently.

Senator HATFIELD. Just from that exposure.

Dr. NATHANS. Yes.

Senator HATFIELD. Well, that could happen in the lives of many, couldn't it?

Dr. NATHANS. Yes; I don't think that's really unusual, as a matter of fact.

Senator HATFIELD. Well, do you think that's more prevalent than——

Dr. NATHANS. I think it's relatively common.

Senator HATFIELD. But that's pretty much dependent on the individual, his motivation to——

Dr. NATHANS. Well, in the last analysis, in this field everything is dependent upon individual initiative.

Senator HATFIELD. It's not so regimented. Well, your testimony has been very helpful. I would observe in the decade from 1970 to 1980 your budget has doubled in dollars, not necessarily in constant dollars, but dollars.

Dr. NATHANS. We're just about keeping up, I guess.

Senator HATFIELD. Thank you very much.

[The statements follow:]

STATEMENT OF DANIEL NATHANS

Summary

Probably the most important limitation of progress in the prevention or treatment of illness is the lack of understanding of the basic biology of cells and organisms. Advances in medical science depends on encouragement of creative basic research and continuous invigoration of the field by talented young investigators. The NIGMS is the one Institute of NIH whose mission includes support of non-targeted basic research and the preparation of young people for careers in basic research. The Administration's FY1980 budget for the NIGMS is inadequate for this purpose. It should be increased specifically in those categories related to the training and support of young scientists, namely, new grants, career development awards, and pre- and post-doctoral training programs.

I am Daniel Nathans, Professor of Microbiology and Director of the Department of Microbiology at The Johns Hopkins University School of Medicine in Baltimore. I would like to thank the Committee for giving me this opportunity to testify as an indvidual, in support of the FY1980 budget of the National Institute of General Medical Sciences (NIGMS). My background is outlined in the curriculum vitae that accompanies my written testimony. In brief, I was educated in medicine, then went into research in molecular genetics, working initially on the way cells make proteins and later, on how viruses cause cancer. My early work was supported by the NIGMS and my more recent research, by the National Cancer Institute and by private foundations. The theme of my testimony is that creative basic research is the cornerstone of our country's efforts in biomedical science, and therefore the budget of the NIH should reflect adequate support and encouragement of basic investigations, including the continuous development of fresh talent.

Enormous progress in the biomedical field has occurred over the past quarter century, and we are now witnessing dramatic advances in our understanding of heredity in higher organisms, including man. American scientists have had a leading role in these advances, due in large measure to the far-sighted policies of the Federal Government. Some of our brightest young men and women have been attracted to the biological sciences, devoting their considerable energy and talents to understanding how living organisms function. The vigor they bring has been an essential ingredient of progress.

Having witnessed the remarkable recent advances in basic biomedical science and the rather slow progress in the "conquest" of diseases like cancer, policy makers may understandably wonder whether too great a share of our resources is going into basic research at the expense of applied research on human disease. In my view, the exact opposite is the case, for in spite of remarkable progress in the biological sciences, approaches to prevention or treatment of disease are still severely limited by lack of understanding of the basic biology of cells and organisms. To cite one example among many, the major problem in cancer is unregulated growth of cells. Yet we know very little about how normal cellular growth is regulated. On the other side of the coin, every major advance in the biological sciences has had a significant impact in medicine, often in entirely unforseen ways and frequently after many years have elapsed. Fortunately the time between fundamental discoveries and their application in medicine appears to be getting shorter, again thanks in part to federal programs that have encouraged academic physicians to acquire training in basic research.

Let me describe briefly two recent developments, both chosen from my own areas of interest, that illustrate the general points I am trying to make. The study of human viruses and viral diseases has made great strides in the past several years, building directly on prior basic research in genetics and the biochemistry of nucleic acids, proteins, and biological membranes, the basic constituents of all known viruses. The structure of a virus such as the one that causes influenza is now known in great detail. Changes in surface proteins and corresponding genes responsible for the virus' ability to cause epidemics are understood, as is the mechanism of genetic exchange between different strains. Based on these insights, vaccines are being developed in which the critical gene of any new epidemic strain can be quickly inserted into a weakened laboratory strain of influenza virus, thus producing a recombinant strain suitable for use as a vaccine. Although it is not yet clear how effective such vaccines will be in the field, this imaginative approach to vaccine development, which takes advantage of the basic understanding of molecular biology of the virus, appears highly promising, and may well become a prototype for future vaccine development.

A second example is the much publicized use of recombinant DNA methods for analysing human chromosomes and for manufacturing hormones. As you probably know, it is now possible to isolate genes from any source, to study their structure, and also to put them back into cells where they function to produce proteins encoded in the nucleotide sequence of the gene. Both the concept and the technology of recombining segments of DNA outside living cells and propagating the recombinant molecules in bacteria would be unimaginable in the absence of a large number of basic discoveries in genetics and biochemistry. One series of discoveries began in the early 1950's with an obscure observation on a primitive "immune system" of bacteria, whereby the microorganism protects itself from foreign viruses. The protective mechanism turned out to be due to enzymes (called restriction enzymes) that attack the DNA of the invading virus. It was then discovered that each of these enzymes cuts any foreign DNA chain at particular sites along its length, thus giving rise to individual genes or gene clusters. In other words, restriction enzymes can be used to isolate genes, which can then by analysed in chemical detail. These methods are being widely applied to study or diagnose human genetic disorders. As I mentioned, isolated genes can also be recombined with the DNA of bacteria or bacterial viruses and propagated inside bacterial cells, where the inserted gene will be translated into its protein product. This remarkable feat, now so simple technically and so rewarding, depends on another stream of discoveries related to the way bacteria and their viruses multiply, how cells synthesize nucleic acids and proteins, and how enzymes that join individual segments of DNA work. Thus the use of recombinant DNA methods to study human chromosomes and to manufacture valuable pharmaceutical products rests directly on decades of basic research whose aim was to understand the chemical mechanisms of heredity. The scientists involved were motivated not by a desire to manufacture insulin or to prevent hereditary diseases, but by curiosity about the fundamental properties of living organisms.

Now I finally return to the NIGMS. Although other Institutes of the NIH support some basic research relevant to a particular class of diseases, the NIGMS is the one Institute whose mission includes support of non-targeted basic research, so essential for the continued progress of the whole biomedical research effort. The criteria for support by NIGMS are the fundamental significance of a research proposal and the creativity of the investigator, as determined by peer review. The NIGMS also has a major role in preparing talented young men and women for careers in biomedical research. Their pre- and post-doctoral training programs are thus essential for maintaining the freshness and vigor of the basic research enterprise.

Given this assessment of the role of the NIGMS, I am naturally concerned by the Administration's budget recommendation for FY1980, providing for slightly less than a 1% increase in the Institute's budget over that of FY1979, i.e., an actual decrease of about 7 or 8%. This will result in an estimated award rate of only 19% for approved new and competing renewal applications for research funds, thus making it particularly difficult for young scientists to begin independent research. I recommend that the NIGMS budget be increased along the lines suggested by the Institute's administrative staff so that support of promising young scientists—as reflected in funds available for new grants, for career development awards, and for training—can be increased. In the event that the absolute level of funding of the NIGMS is not increased adequately, I would recommend that funds be shifted to the above categories at the expense of support for existing research programs. I hope this Committee will examine the budgets of each of the institutes of NIH with this last point in mind.

Thank you.

CURRICULUM VITAE - Daniel Nathans

Born October 30, 1928 in Wilmington, Delaware.
Married with three children.

Education:

1946-50, University of Delaware, Newark, Del., B.S. in Chemistry.
1950-54, Washington University School of Medicine, St. Louis, Missouri, M.D.

Postdoctoral Training:

1954-55, Internship in Medicine, Columbia-Presbyterian Medical Center, New York, N. Y.
1955-57, Clinical Associate, National Cancer Institute, Bethesda, Md.
1957-59, Residency in Medicine, Columbia-Presbyterian Medical Center, New York, N. Y.
1959-62, Guest Investigator, Laboratory of Dr. Fritz Lipmann, The Rockefeller University, New York, N. Y.

Academic Positions:

1962-65, Assistant Professor of Microbiology, The Johns Hopkins University School of Medicine, Baltimore, Md.
1965-67, Associate Professor of Microbiology, The Johns Hopkins University School of Medicine.
1967 - Professor of Microbiology, The Johns Hopkins University School of Medicine.
1969 American Cancer Society Scholar in the Department of Genetics, Weizmann Institute of Science, Rehovoth, Israel.
1972 - Director, Department of Microbiology, The Johns Hopkins University School of Medicine.

Societies:

Alpha Omega Alpha
American Society of Biological Chemists
American Society of Microbiology
Fellow, American Academy of Arts and Sciences

Awards:

Selman Waksman Award in Microbiology, 1967.
National Academy of Sciences U.S. Steel Foundation Award in Molecular Biology, 1976.
Nobel Prize in Physiology or Medicine, 1978.

Other Activities:

Member, Editorial Board, Journal of Biological Chemistry, 1969-1974.
Member, Editorial Board, Journal of Molecular Biology, 1972-
Chairman, Committee on Cell Biology and Virology, American Cancer Society, Inc., 1972-73.
Member, Virus Cancer Program Advisory Committee, National Cancer Institute, 1975-1977.
Member, Board of Scientific Advisers of The Jane Coffin Childs Memorial Fund for Medical Research, 1977-

STATEMENT OF DR. GARY G. BORISY

Mr. Chairman, members of the Committee, I greatly appreciate the opportunity to speak to you as a citizen in support of the 1980 budget for the National Institute of General Medical Sciences. I am a Professor of Molecular Biology and Zoology at the University of Wisconsin and a grantee of the NIGMS. I have served for four years as a member of the NIH Study Section on Cell Biology and have also been a member of ad hoc committees in the reviewing of NIH Predoctoral training programs in Multidisciplinary Biology.

As you know, the Institute has primary responsibility for basic biomedical research not directed towards a specific disease. The Institute is also the principal agent supporting predoctoral research training. I should like to comment on both the research and training functions of the Institute as I believe they are intimately interconnected and both vital to maintaining a strong national research effort.

First, I should like to stress the importance of basic research, and draw for an example upon my own specialities, cell division and cell movement, and indicate how these fundamental studies might ultimately be related to child development and to cancer.

An adult human being consists of approximately one trillion cells and these arise through a series of divisions from a single cell, the egg. In the development of an embryo, the cell divisions are rapid and are accompanied by movements of individual cells and by vast migrations of cell populations. Both division and movement are ordered and regulated. Some divisions and movement continue in the adult, but generally at a slower tempo. Cancer is a condition in which control over these basic processes is lost. If control over division only is lost, then a lump is produced which remains in place and is generally considered benign; but if control over movement is also lost, then the cells can wander from their proper position and invade other tissues and multiply. This condition is malignant. So we see that both for normal child development and for cancer, we need an understanding of these basic processes of division and movement. The NIGMS has supported work in this area and progress has been made, but the cellular machinery responsible for these processes is intricate and wonderously miniaturized, so that it is not easy to figure out what the parts are, how they are put together, and how the machinery works. There is a great deal more work to do.

I should like to quote from a book, Cancer, Science and Society, by Dr. John Cairns, Director of the Imperial Cancer Research Laboratory in London, England:

> "Thus far, however, there is no treatment for any of the major lethal cancers that is as effective as the antibiotics. Like many others, I find it hard to visualize the discovery of such a treatment until much more has been learned

> about the normal control of cell growth in the intact animal. Indeed, the very prospect seems so remote that it does not even enter into the speculative, day-to-day conversation of people engaged in cancer research; at present so little is known about the control of cell growth that there is no way of guessing when we will arrive at the necessary understanding - it could be in the next 10 or 20 years, or not for another century."

So, I submit to you that some of the biomedical problems we are facing are very tough and we should not deceive ourselves into thinking that solutions are around the corner or that all we need to do is get the results out of the laboratory and into the clinics. We need a sustained commitment to basic research. Further, we should not allow it to be eroded by budgets that do not at least keep pace with inflation and with the increased costs of more technically demanding research.

Some of us in the scientific community had thought previously that some budget-tightening would not be intolerable and that it would remove the fat. However, from my vantage point on the NIH Cell Biology Study Section, I would submit that at least in this area for at least the last four years, we have seen no fat and have been cutting into bone. The fact is that good quality research proposals are now going unfunded.

I should also like to emphasize the need for continued support of new and competing research proposals. The President's Budget for FY 1980 proposes a cut of $46,000,000 for competing research grants. This strikes me as a disastrous idea since it would sharply diminish the number of new proposals, would exclude many young investigators from beginning their own research programs, and would jeopardize the continuum of expertise needed to maintain the research community. Our scientific manpower pool is a valuable resource and should not be abused. We cannot turn it on and off like a faucet. If stop-go funding practices continue, the brightest young investigators may seek other career opportunities and if then we turn on the faucet, we may find it dry.

This brings me to my last point, namely predoctoral training. Our manpower pool of young investigators draws in turn upon our pool of Ph.D. students. Over the years, the NIH has created and fine-tuned a superb instrument for selecting and cultivating the most promising of our students. This training program has already been throttled back to bring supply in accord with demand. Further decrease in support might reduce the program below a critical mass and would jeopardize the source of vitality for research 10 or 20 years from now. Consequently, I urge support of the Professional Judgment Budget for this item.

At the University of Wisconsin, the NIGMS supports training programs in Molecular and Cell Biology and in Genetics. These are interdepartmental programs. They bring together faculty and students from different academic descriptions. The students benefit from this interdisciplinary approach because of its intellectual vigor and high mobility of ideas. In addition to developing critical analytical ability, they acquire the breadth and flexibility to knowledgeably respond to new research needs and opportunities. It is possible to produce Ph.D.'s in other ways, but I think no other instrument is so admirably adapted to train individuals for an unpredictable future. We should work to maintain and enhance its strength.

Thank you once again for the opportunity to address you. A summary of recommendations and my C.V. is attached.

RECOMMENDATIONS

1. Overall budget should be increased to account for increased costs due to inflation and more technically intensive experimentation. Also, the budget should be increased to allow for some repair of previous inflationary erosion.

2. Support for competing research grants should not be cut drastically and abruptly.

3. Support for predoctoral training should be increased as per the Professional Judgment estimate.

CURRICULUM VITAE

NAME: Borisy, Gary G.
TITLE: Professor of Molecular Biology and Zoology
BIRTHDATE AND PLACE: August 18, 1942; Chicago, Illinois

EDUCATION:

1962	University of Chicago	B.S.	Biochemistry
1966	University of Chicago	Ph.D.	Biophysics
1966-68	Medical Research Council Laboratory of Molecular Biology Cambridge, England	Postdoctoral Fellow	

RESEARCH INTERESTS:

Assembly and function of cytoplasmic microtubules; formation of the mitotic spindle and chromosome movement; cell motility and shape determination; cytokinesis

HONORS:

NSF Predoctoral Fellow, 1962-64; NASA Predoctoral Fellow, 1964-1966; NSF Postdoctoral Fellow, 1967; NATO Postdoctoral Fellow, 1968; University of Wisconsin Romnes Faculty Fellowhsip, 1975; NIH Research Career Development Award, 1975-1980.

PROFESSIONAL SOCIETIES:

American Society for Cell Biology
  Member of the Council 1975-1978
  Member of the Executive Committee 1975-1976
Marine Biological Laboratory
American Association for the Advancement of Science
Sigma Xi

PANELS AND EDITORIAL BOARDS:

NIH Multidisciplinary Biology Training Grant Review Panel, 1971-1973; NIH ad hoc Review Committees for Postdoctoral Fellowships 1974; NIH Cell Biology Study Section, 1975-1979; Editorial Board, International Review of Cytology, 1971-   ; Editorial Board, Journal of Biological Chemistry, 1979-

RESEARCH AND PROFESSIONAL EXPERIENCE:

Professor of Molecular Biology and Zoology, University of Wisconsin, 1975 to present.

Visiting Scientist, Laboratory of Molecular Biology, Medical Research Council, Cambridge, England, 1977 to 1978 with S. Brenner.

Associate Professor of Molecular Biology and Zoology, University of Wisconsin, 1972 to 1975.

Assistant Professor of Molecular Biology and Zoology, University of Wisconsin, 1968 to 1972.

National Science Foundation, Public Health Service and NATO Postdoctoral Fellow, Cambridge, England, 1966 to 1968 with H.E. Huxley.

NATO Advanced Study Institute Participant, on Protein, Structure and Function, Venice, Italy, summer 1967.

AIBS Colloquim on Theoretical Biology, Fort Collins, Colorado, summer 1966.

National Institutes of Health, Fertilization and Gamete Physiology Training Fellow, Woods Hole, Massachusetts, summer 1965.

Teaching Assistant in Biophysics, University of Chicago, 1963 to 1964.

National Science Foundation and National Aeronautics and Space Administration Predoctoral Fellow, University of Chicago, Committee on Biophysics, 1962 to 1966, with E.W. Taylor.

National Science Foundation Undergraduate Research Award, University of Chicago, Department of Zoology, 1961-1962, with F.M. Child.

PUBLICATIONS
Gary G. Borisy

Papers:

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STATEMENTS OF:
JAMES MURPHY, ENDOCRINE SOCIETY
C. WAYNE BARDIN, DIRECTOR, CENTER FOR BIOMEDICAL RESEARCH, POPULATION COUNCIL
LAURA LEVINE, UNITED CEREBRAL PALSY ASSOCIATIONS, INC.

Senator HATFIELD. OK, let's have the National Institute of Child Health and Human Development. James Murphy.

Good morning.

Ms. LEVINE. I'm getting the message.

Senator HATFIELD. That's the nonverbal communication.

Ms. LEVINE. You're talking to the right person here.

Mr. MURPHY. Mr. Chairman, excuse me a second, I'm Jim Murphy, and I have with me Dr. C. Wayne Bardin, director of the center for biomedical research of the Population Council to testify for us.

Senator HATFIELD. Is this lady first?

Ms. LEVINE. Is it ladies or gentlemen first?

Senator HATFIELD. It's one of the chauvinistic customs we maintain. Ladies first.

STATEMENT OF LAURA LEVINE

Ms. LEVINE. The statement which has been submitted for the record also addresses a number of other areas which I would commend to your attention, notably appropriations for developmental disabilities funding, comprehensive services for independent living, education of the handicapped, and several other Institutes in the National Institutes of Health.

UCPA as a matter of policy has for a long time believed in the partnership on the research and service basis of public and private agencies, and to this end we have created a research—an educational foundation which supplies approximately $1 million in grants each year.

PREVENTION OF CEREBRAL PALSY

We have in the past directed most of our attention on the research level toward the prevention of cerebral palsy, for obvious reasons. And we have been singularly lucky, I think, in being able to contribute to the prevention of anemia, which is neonatal jaundice, primary and secondary causes, prevention of prematurity, and I think we're probably most active in research on low birth weight babies.

And in addition, we've supported a number of other projects designed to see if neonatal stroke in an infant will do the same thing it will do in an adult. This is summarized in our statement and I won't spend any more time on it.

NICHD in the International Year of the Child, it is the focus of our attention that we are very concerned about because of the proposed budget cuts that the administration is trying to sell Congress.

NICHD addresses multiple and crosscutting issues directed at pregnancy and early intervention which are very important to the prevention of cerebral palsy. It's been assessed that if adequate neonatal and obstetrical services were part of the care they get, approximately 40 percent of all the people in this country that had cerebral palsy wouldn't have had it?

Senator HATFIELD. 40 percent?

Ms. LEVINE. 40 percent.

HEALTH CARE SERVICES

Senator HATFIELD. What kind of care are you talking about, nutritional?

Ms. LEVINE. We're talking now about nutritional services about regular medical checkups, followup services, about isolation of high-risk populations, notably low-income women, women with a history of lost children in pregnancy or other cerebral palsy——

Senator HATFIELD. 40 percent is astounding.

Ms. LEVINE. Especially considering that there are 25,000 children born in this country each year with cerebral palsy, who are going to require many services, some of which are federally supported and require Federal funds.

Senator HATFIELD. That's more expensive than prenatal care.

PROPOSED BUDGET CUTS

Ms. LEVINE. Yes, indeed. You hit the nail on the head.

For this reason we are very much concerned about the proposed budget cuts at the Institute this year. As you may know, the Institute is divided into two sections, a population research center and a center for research for mothers and children. The center for research for mothers and children in the 1980 budget, as proposed by the administration, will have approximately a $2.2 million cut, which doesn't sound like a lot, but when you build in a 10.4-inflation factor, which is the inflation factor that the Institute uses, it's quite a lot of money.

And in the center is something called the mental retardation development disabilty branch, which addresses specifically problems in development in which——

Senator HATFIELD. What was your original request on that part of the budget?

Ms. LEVINE. Our request?

Senator HATFIELD. Yes.

Ms. LEVINE. We are requesting $221.7 million. We have not gone before OMB yet.

Senator HATFIELD. Oh, yes, yes. I have to keep thinking I'm not on the agency list here.

Ms. LEVINE. No.

Senator HATFIELD. Do you know what the agency asked for from the OMB, by chance?

Ms. LEVINE. No; I only have the administration's request which is $204.4 million which is very low. I don't know what the OMB request was.

Senator HATFIELD. Well, we'll find it out.

LEVEL OF FUNDING AT NIH

Ms. LEVINE. Well, I did speak with the budget office at the agency yesterday, and they said that they are trying to maintain the levels of all the Institutes this year; a level budget actually means from a 7.7- to a 10.4-percent decrease in constant dollars.

There are a number of areas that you have in appendix C in our testimony, a long list of projects that we would love to fund, but we simply haven't got the money to fund, and we are looking to NICHD and other Institutes to help us do that. Obviously with cut budgets, we're not going to be able to put any more money in existing programs, much less the ones we want to.

Let me just bring to your attention, since you did express an interest in it, our recommendation on page 8 which appears under NINCDS, but I don't particularly care where it goes as long as it gets funded. For a data collection service, a data collection—comprehensive data collection for developmental disabilities, one of the biggest problems both in finding research and service funds, much less than holding the administration to that, is simply not knowing very much about who's out there with cerebral palsy or the developmental disabilities. We don't know where they are. We don't know how many there are.

We have a lot of trouble trying to create or understand associations between incomes and cerebral palsy, socioeconomic status, religious status, relating to cerebral palsy. This information is out there, but it's very spottily collected, if collected at all.

We are thus recommending $1 million for the Office of Biometry and Epidemiology to collect this information and permit it to be disseminated to people who need it, including both the administration and ourselves.

DUPLICATION OF SERVICES

Senator HATFIELD. That wouldn't be duplication of the services available at the National Center for Health Statistics?

Ms. LEVINE. No, sir, it would not because the National Center for Health Statistics and the other two statistical agencies do not collect comparable data. Some Institutes collect one kind of data; some Institutes collect another, but they're not comparable across the board.

Senator HATFIELD. Can't they extend their capability? That would be less costly than establishing another center.

Ms. LEVINE. No, sir, I don't believe we can. We have gone through this with the people there and they tell us that it would be more costly to try and pull out any comparable data they have than to set up a system of our own of a single type of disability.

Senator HATFIELD. I see. All right. Thank you very much, Ms. Levine.

Ms. LEVINE. You're welcome.

Are you next, doctor?

STATEMENT OF DR. BARDIN

Dr. BARDIN. Before I begin, I'd like to just thank you for being here to hear us, being conscientious enough to do that when there's such an interesting and exciting thing going on somewhere else.

Senator HATFIELD. Well, not at all. This is very important, and I have had the privilege of visiting with both President Sadat and Prime Minister Begin on three or four previous occasions, and this is a courtesy call today to the Senate, really. There will be discussion, of course, of substantive issues, but I can pick that up from my colleagues pretty quickly.

But I think when you folks make the effort to come here, I think this has certain priority.

Dr. BARDIN. OK, fine.

I'm Wayne Bardin. I'm here for the Endocrine Society today, and at the end of the week we'll present an extensive document for the numbers that I'm going to talk about now. I prepared a briefer document which you have in front of you and then even a shorter attachment which summarizes everything.

Senator HATFIELD. Gee, I like that.

SUPPLEMENTAL APPROPRIATIONS FOR NICHD

Dr. BARDIN. So what I'm really primarily—since all of this is summarized extensively in several forms—I'm primarily going to talk about the supplemental appropriations because that's really the thing that is of concern to us at the present time.

This is the supplemental appropriations for the Center for Population Research. That's part of the NICHD that has the charge of executing all population research under title X.

This Institute has conducted a variety of research and population control by developing new contraceptives, by evaluating new contraceptives as they come on the market, and by social science research having to do with population policy. The need for this kind of research is fairly evident. I mean, it's been documented in many ways, particularly with the ability of many people to choose the size of their family through the choice of contraceptives, such as the IUD and the pill.

However, this development has really kind of fallen short of what we need because a lot of women are becoming concerned about the health effects of these methods. A lot of them fail, even with the best use, and this leads to a lot of unwanted pregnancies and the pressure for abortion.

If you put all these things together, it really says that there's a need and a desire for more effective methods for family planning. Among the methods that are new that we should develop for control of population is one males could use so that they could share the responsibility of family planning.

The Center for Population Research is also concerned with infertility and helping people that are barren have children. Unfortunately, the work that this part of NICHD is doing has run into really a big snag, and this snag is summarized on page 3 of my testimony. It's really a fiscal emergency.

Because Congress failed to pass legislation to extend title X at the end of the 95th Congress, no funds were included in fiscal year 1979 for the Center for Population Research. Now, the administration had intended a program for alternatives to abortion and a program on teenage pregnancy and in order to accomplish this they recommended an increase in the Center for Population Research projects from $61 million to $77.8 million for fiscal year 1979.

And the failure to get this appropriation has meant that the Center for Population Research has really had to proceed through the current year on a continuing resolution at last year's funding level.

TEENAGE PREGNANCY AND ALTERNATIVES TO ABORTION

So here was a situation in which the President and Congress had agreed on a big increase to deal with what was considered an important national issue, teenage pregnancy and alternatives to abortion. But with the logjam the funding didn't go through. So the consequences of this have really been rather amazing.

The level of funding for the Center for Population Research has been drastically cut back to grants given a priority rating of 163, wherein the rest of NICHD the priority rating is 258.

To put it another way, grants on population funded last year at 40 percent; this year only 20 percent in most areas. Without a supplemental appropriation, that will go down to probably 10 percent. Even the funding that is going is at the expense of other major funded programs that they have just had to—they're having to cut back. Among these are the Oregon primate center, the population center at the University of Washington, the one at Columbia University, the one at University of Michigan, Pittsburgh University, and Case Western Reserve.

Now, in an effort to correct this mistake, the administration is recommending a $10.7 million supplemental appropriation for the Center for Population Research. And I think this is really needed. It's incredibly needed, but I would recommend that you really restore the entire $16.8 million to bring the Center for Population Research up to what was intended. And this money almost certainly would have been appropriated if this legislation really hadn't gotten hung up in the end of the year logjam. It was at the end of the fiscal year just before elections and those kinds of things can occur.

In the rest of my testimony and in the attachments which you'll receive from the Endocrine Society, you'll receive a statement for the fiscal year 1980 budget for NICHD and for the National Institute of Arthritis, Metabolism, and Digestive Diseases. I will not reiterate those at this time, other than to say we heartily support them and also encourage support of training, as has been mentioned already this morning.

Senator HATFIELD. Thank you. Thank you, Dr. Bardin. Thank you very much Dr. Bardin, Ms. Levine, and Mr. Murphy.

[The statements follow:]

STATEMENT OF LAURA LEVINE

The testimony prepared by United Cerebral Palsy Associations, Inc. for **presentation** before the Appropriations Subcommittee addresses the following areas and issues:

(1) The "Rehabilitation, Comprehensive Services, and Developmental Disabilities Amendments of 1978" (P.L. 95-602) - support of developmental disabilities state formula grants, expansion of special project grants, Protection and Advocacy Systems, and university affiliated programs; supplemental appropriation in FY 1979 for comprehensive services for independent living, and adequate funding levels for the independent living program in FY 1980; increased support of innovation and expansion grants; substantial support of the National Institute of Handicapped Research.

(2) Education of All Handicapped Children - full funding of services and programs under P.L. 94-142, "The Education for All Handicapped Children Act," including increases in grants to states and localities, preschool incentive grants, and personnel development training funds.

(3) National Institutes of Health - increased support for the National Institute of Child Health and Human Development, the National Institute of Allergy and Infectious Diseases, and the National Institute of Neurological and Communicative Disorders and Stroke.

Our witness is Laura E. Levine, Assistant Director, UCPA Governmental **Activities** Office.

The recent passage of P.L. 95-602, The "Rehabilitation, **Comprehensive** Services **and Developmental** Disabilities Amendments of 1978," underscored **two important** characteristics of federal programs for persons with disabilities: the continuing need, in both humane and cost-effective terms, to make available to such individuals the tools they need to maximize their ability to achieve the highest level of self-sufficiency of which they are capable, and the utility of periodically reevaluating the direction of existing programs and developing new programs to meet changing needs.

The new Act contains a variety of items whose not affect will be the expansion of services to persons with disabilities. Appendix A contains a compilation of appropriations recommendation in eleven program areas under P.L. 95-602; the figures cited represent the consensus of two coalitions of disability groups: The Consortium Concerned With The Developmentally Disabled and an ad hoc coalition concerned with rehabilitation of persons with disabilities. UCPA wishes to address proposed appropriations in four specific areas, developmental disabilities (Title V), Comprehensive Services for Independent Living (Title VII), Innovation and Expansion Grants, and the National Institute for Handicapped Research (Section 201).

Developmental Disabilities

Persons with developmental disabilities such as cerebral palsy require a multiplicity of comprehensive services throughout their lifetimes. The renewal of the Developmental Disabilities concept in Title V of P.L. 95-602 affirms continuing Congressional support of the DD model as a linkage tool of proven effectiveness in planning, accessing and providing services across traditional delivery lines.

● State Granta. Without question federal DD funds have served as the major incentive in establishing and expanding services to persons with cerebral palsy at the state level. State DD planning efforts have proved successful in increasing services for persons with developmental disabilities delivered by a broad spectrum of providers. Without the support of the formula grant program it would have been beyond the financial capacity of many nongovernmental service providers to outreach to developmentally disabled individuals as successfully as they have done.

After a distressing period of no growth in the state grant program budget (cf. Appendix B, I) Congress has the opportunity to augment significantly the **capabilities** of the program by acceeding to the Administration **request of $46.880 million** for state grants, a figure which UCPA wholeheartedly **endorses.**

PROPOSED APPROPRIATIONS BY AREA
(in millions)

AREA	FY 1979	FY 1979 Supplemental (UCPA)	FY 1980 (Administration)	FY 1980 (UCPA)
1) Developmental Disabilities				
o State Formula Grants	30.058	32.1	46.880	46.880
o Protection and Advocacy	3	3	3	12
o Special Projects	19.567	19.5	4.756	10
o University Affiliated Programs	6.5	7.6	3	12
2) Vocational Rehabilitation				
o Comprehensive Services for Independent Living	0	25	10	125
o Innovation and Expansion	18	21	11.775	25
o National Institute of Handicapped Research	31.5		27.5	40
3) Education of the Handicapped				
o Grants to States and Localities	526		804	1.2 billion (2.1 billion for FY81)
o Preschool Incentive Grants			15	17.5
o Personnel Development	57.7		55.4	85
4) National Institute of Child Health and Human Development (NICHD)	200.8	10.7	204.4	221.7
o Center for Research for Mothers and Children	101.7		99.4	112.3
o MR/DD Branch	29.7		28.8	32.8

AREA	FY 1979	FY 1979 Supplemental (UCPA)	FY 1980 (Administration)	FY 1980 (UCPA)
5) National Institute of Allergy and Infectious Diseases (NIAID)	192.5		190.3	212.6
o Immunology, Allergic and Immunologic Diseases	59.4		58.4	65.5
o Microbiology and Infectious Diseases	88		86.8	97.2
6) National Institute of Neurological and Communicative Disorders and Stroke (NINCDS)	208		212.3	286

- Protection and Advocacy. The protection and advocacy system provides persons with developmental disabilities, their families and advocates with a mechanism for assuring them of the rights to which they are entitled under law. Effectively hamstrung by a constant $3 million appropriation for each year from FY 1977 to the present, the P&A system has had little opportunity to expand to meet the needs of its current and prospective client population, or to perform the statewide and local outreach activities essential to insuring the program's viability and success (cf. Appendix B, II). Reiterating its belief in the potential of the P&A program to provide a greatly needed service to the DD community, UCPA urges adoption of a $12 million appropriation for FY 1980.

- Special Projects. UCPA has maintained the existence of a ongoing need for the grants of national significance authority. DD special projects have been instrumental in developing and demonstrating new and improved techniques for the provision of services for developmentally disabled persons. The Administration must have the capability of targeting resources to special projects when and where they are required.

The need for a slight curtailment in FY 1980 may be in order; however, flexibility is crucial here. The Administration's FY 1980 budget proposal reducing special project funding to $4.7 million is devastating and totally undermines the entire special projects approach. UCPA believes a $10 million appropriation for this item to be a minimally equitable and realistic compromise.

- University Affiliated Programs. Additional funding is urgently required to extend the network and capabilities of University Affiliated Programs (UAP) to areas in which there exists an unmet need for training, service technical assistance, and research. In the past UAPs have demonstrated marked success in initiating, nurturing and extending quality comprehensive interdisciplinary programs within a university setting, and we find the Administration proposal to reduce by more than half the FY 1979 $6.5 million appropriation for UAPs both puzzling and unacceptable. We suggest a $12 million line item as an appropriate level of funding for UAPs in FY 1980.

Comprehensive Services for Independent Living

Title VII of P.L. 95-602 establishes a new state grant program to provide comprehensive services for independent living designed to meet the current and future needs of individuals with severe handicaps.

The Senate report authorizing this new program declared the objective of Title VII to be "to build State services and service systems to increase the number of and improve the quality of services for severely handicapped individuals and to assist the States in developing and implementing comprehensive services for all severely handicapped persons." P.L. 95-602 envisions a substantial new service program with, as the Senate report declares, "sufficient funds" available to develop "effective long-range plans and services."

The time for implementing a new comprehensive services program is now. Several hundred independent living projects already exist in the nation demonstrating the viability of the IL concept. For example, Fiscal Year 1978 Vocational Rehabilitation Innovation And Expansion Grants financed 37 independent living projects in 13 states totalling $2.022 million in RSA commitments. Of these 37 projects, 18 were in California (including one sponsored by UCPA of San Francisco). The model programs exist; we do not need any more demonstrations - Congress clearly envisioned the establishment of a major new state grant service program.

A request for a $25 million FY 1979 supplemental appropriation for comprehensive services for independent living is justified on the basis of devising an equitable state distribution procedure, ensuring continuation of the existing I&E independent living projects; allowing an appropriate initial funding base for the centers for independent living and older blind individuals programs, and providing start-up funds to assist states in implementing the Protection and Advocacy programs under Title VII.

The state grant program under Title VII is based on the ratio of state population to the population of all the states with a $200,000 or 1/3 of 1% of funds, whichever is greater, minimum allotment. If all 50 states received the minimum allotment of $200,000, a $10 million appropriation would be required. This would allow each state to hire a few professionals to initiate the planning stage. However, a $10 million appropriation would not allow the program to be implemented. Section 703(a)(2) requires Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands to receive a minimum allotment of not less than 1/8 of 1% of funds available to the states. With a $10 million appropriation, these territories would be assured of $65,000; using the state/territory formulas, Puerto Rico would be assured of roughly $100,000. Given these statutory obligations, implementing the law in even its narrowest sense would require at least $10.165 million.

A limited $\$10^{+}$ million appropriation would not allow the Part B centers for independent living program to be funded, would not permit the states and territories to even begin the Part C older blind individuals program (the Part C program automatically receives 10% of the Part A state grants), and would promote an inequitable state distribution. For example, with a $10 million appropriation New Hampshire, New York, and California would each receive an identical federal allotment.

For all these reasons, UCPA recommends $20 million to implement the Parts A, B, and C programs. By adding in $2 million to ensure continuation of the I&E independent living projects and $3 million as to start-up funds for a very modest P&A program (each state would receive $60,000 with no funds available for the territories), UCPA recommends a total FY 1979 supplemental appropriation of $25 million. With a $25 million initial capacity-building base, the independent living program will be ready for the implementation of comprehensive services in FY 1980, for which we endorse a FY 1980 appropriation of $125 million.

Innovation and Expansion Grants

I&E helps State VR agencies plan, test, and evaluate alternative approaches in improving the capacity, quality, or cost effectiveness of delivering VR services.

We propose a slight increase in I&E appropriations to $25 million for FY 1980, to continue last year's commitments, prevent jeopardizing new service initiatives started last year, allow states to take risks in establishing untested service modalities, and cushion against the effects of inflation.

The National Institute of Handicapped Research

P.L. 95-602 established a new National Institute on Handicapped Research to develop a comprehensive, coordinated approach to the administration and conduct of research, demonstration projects, and related activities including training. Such a thorough approach is to include dissemination of information, financial support for the distribution of technological devices and equipment, and increase in scientific and technological information.

In addition to extending federal support for both the Rehabilitation Engineering Centers (REC) and Rehabilitation Research And Training (R&T) Centers, P.L. 95-602 earmarked a number of new research efforts, including joint projects with other federal agencies, a study of the special concerns of rural areas, special needs of persons 60 years of age and older, and support of model training centers to evaluate and develop employment potential.

Despite the dramatic accomplishments of space-age engineering technology, the lack of adequate funding has effectively created an insurmountable gap between the laboratory and the consumer. Because there exists no cost-effective mechanism for mass producing and distributing the tangible results of REC research, the vast majority of REC-developed adaptive equipment never filters down to the individuals who would benefit from its use. Though engineering technology holds the greatest potential for ameliorating neurological conditions such as cerebral palsy, few consumers have experienced these developments because of inadequate manpower and resources to successfully transfer technological advances from the laboratory to the field.

The 31 R&T Centers, 15 of which are mental retardation centers, have done an outstanding job of improving rehabilitation methodologies and services. However, at the present time none of the centers have concentrated their efforts on the independent living needs of severely/multiply handicapped individuals. Additionally, the special needs of persons with epilepsy as they relate to public education/public atitudes, health services delivery, and community placement have not been systematically addressed.

In establishing the NIHR Congress recognized the inadequacy of the federal government's rehabilitation research efforts. In passing P.L. 95-602 the House Committee on Education and Labor declared:

> The Committee views this proposal as one of the most significant amendments set forth in H.R. 12467... Research regarding the needs of handicapped people for greater independence demands the same quality of leadership and institutional visibility as research regarding disease prevention such as that sponsored by the NIH....

P.L. 95-602 authorized $50 million for 1979, $75 million for 1980, $90 million for 1981, and $100 million for 1982 as well as such sums as may be necessary to operate the NIHR. It is therefore most surprising to note in the Administration's FY 1980 budget proposal a $4 million reduction in research efforts, and the complete absence in the FY 1979 Budget Appendix description of rehabilitation research efforts of the NIHR mandate. We respectfully recommend that the Subcommittee compare P.L. 95-602 intent with Administration proposals and initiate the necessary adjustments, including a $40 million budget for the Institute in FY 1980.

EDUCATION OF ALL HANDICAPPED CHILDREN

- Grants to States and Localities

By appropriating $254 and $563 million in FY 1978 and 1979 respectively to implement P.L. 94-142, "The Education of All Handicapped Children Act," Congress has thus far met its self-created benchmarks for incrementally meeting the educational needs of children with disabilities (5% in FY 1978 and 10% in FY 1979 of the national average per pupil expenditure multiplied by the number of handicapped children served).

With P.L. 94-142 given so promising a beginning by Congress, it is with considerable dismay that UCPA views the President's budget request of $804 million, funding clearly insufficient to meet the 20% of the national average per pupil expenditure statutorily recommended for the coming fiscal year. As the Council for Exceptional Children (CEC) has observed, if the expected 3.7 million children are served under the program in 1978-1979, using a conservative $1700 average per pupil expenditure, a minimum of $1.2 billion should be generated under the 20% formula. These funds represent the baseline necessary to assist state and local education agencies in providing appropriate services to disabled children, a population which CEC estimates has increased by 169,000 children in a single year. For these reasons we concur with the CEC recommendation of $1.2 billion as the minimum acceptable appropriation for this program in FY 1980, and 2.1 billion in FY 1981.

- Preschool Incentive Grants

It has been conclusively demonstrated that early intervention for children with cerebral palsy can significantly ameliorate and in some cases actually reverse their functional deficits. Congress has recognized the validity of this approach by authorizing the preschool incentive grant component of P.L. 94-142 (Section 619) to encourage states to provide special education and related services to handicapped children age 3-5. Yet despite the program's promise, CEC estimates that 65% of the preschool-age handicapped children in this nation are not receiving needed services.

In the face of clear indication by many states that they are gearing up to take full advantage of preschool incentive grant program resources, the President's recommended budget reduction from $17.5 to $15 million for the program is exceedingly ill-timed. Without assurance of adequate federal funding it is likely that preschool programs in states currently taking advantage of the program will be curtailed, and states not providing services to preschool handicapped children will certainly find in the funding situation no encouragement to initiate them.

As an organization long identified with the concept of early intervention, UCPA urges the Subcommittee as a minimum to restore the funds for preschool incentive grants excised from the Administration budget.

- Personnel Development

Part D, Section 631 of P.L. 94-142 authorizes fellowships, traineeships, and institutes for professional training. Under the mandate of the Act to provide educational and related services to all disabled children the influx of handicapped students into the public education system can be expected to grow, necessitating a similar increase in the numbers of professional personnel trained to address their particular needs.

Federal support of pre- and in-service training for special educators and related service personnel is crucial to assuring the quality and continuity of the special education effort, yet the President has recommended a decrease in Section 631 levels of support from $57.7 million in FY 1979 to $55.4 million for FY 1980. UCPA is convinced that without an ongoing and realistically supported training effort to assure the flow of an adequate manpower supply into the P.L. 94-142 effort, the likelihood that handicapped children will receive a truly "appropriate" public education as mandated by the law is exceedingly slim. We cannot permit this disastrous proposed decrease in essential personnel development funds to go unchallenged; and we strongly recommend an increase to $85 million for this vital training activity.

UCPA RESEARCH CONCERNS RELATED TO NIH APPROPRIATIONS

In 1978 the United Cerebral Palsy Research and Educational Foundation awarded $1,010,000 to fund scientific investigations in cerebral palsy and the training of personnel in the habilitative sciences. With these funds UCP supported 29 research projects and 35 professorships, clinical fellowships, and student stipends.

In that same year the Foundation also approved 7 additional projects whose projected costs total $352,599; however, an additional $200,000 must be found if the Foundation is to meet its research-related obligations in full. Given these limitations in the capacity of private agencies to invest in research, we believe that the National Institutes of Health have a particularly urgent responsibility to the public to increase their activities, and not passively accept the real-dollar decreases proposed in the President's FY 1980 budget.

National Institute of Child Health and Human Development (NICHD)

- UCP Related Activities

Prevention of cerebral palsy is one of UCP's primary research emphases. In past years we have provided significant financial support for new and innovative treatments related to bilirubinemia (jaundice of the newborn) such as a new method of phototherapy (light treatment) and a variety of other prevention-oriented projects; and we continue to view prevention as a major area of research responsibility.

Prevention of prematurity is another fundamental concern. Babies born before term (particularly those weighing 3.3 pounds or less) are likely to have immature respiratory systems which cannot supply sufficient oxygen to the brain. This lack of oxygen is the basic cause of cerebral palsy. In the case of premature infants weighing between 2.2 and 3.3 pounds (1000-1500 grams), 15% of those experiencing respiratory distress and surviving will have central nervous system damage; for those under 2.2 pounds (less than 1000 grams) the figure increases to 35%.

In addition to research projects targeted at minimizing respiratory distress, the Foundation has supported efforts to utilize mini-computers to monitor and control the oxygen and carbon dioxide levels of premature infants; to study the relationship between cerebral hemorrhage in newborns and construction of neural arteries, cutting off oxygen to the brain (as it would in adults); and to control gestation by means of the chemical agent relaxin, a natural body substance secreted throughout pregnancy and known to inhibit uterine contractions. A related project also receiving UCP support involves the identification and analysis of certain organic compounds found in the normal brain whose presence in specific amounts seems necessary to the brain's optimal functioning. When these compounds are lacking in the brain, or when they occur in lower than normal amounts, neurologic disorders such as cerebral palsy may result. (cf. Appendix C, I)

- Needed Research Support

NICHD research addresses multiple and crosscutting problems of pregnancy, infancy, and developmental disabilities. For this reason it is with considerable alarm that we note a reduction in the CRMC budget request for these activities from its FY 1979 level of $101.685 million to $99.376 million.

Despite its efforts in the past, NICHD has not been able adequately to address numerous areas in which further scientific study is both warranted and greatly needed. For example, bibirubinemia as a cause of cerebral palsy is at last coming under control as a direct result of phototherapy research. However, there still exists the need to standardize the dosages and types of lights currently used in the phototherapy process, as well as to develop new forms of treatment other than phototherapy. Recent studies have also indicated that more extensive use of appropriate obstetrical and neonatal services could prevent almost 40% of the cerebral palsy which is occurring. Greater NICHD focus on these activities is clearly needed. Appendix C, II provides examples of approved but as yet unfunded UCP projects in these areas, indicating the palpable need for increases in NICHD support

- Budget Recommendations

Unless the pending $10.7 million budget supplemental for the Population Center is passed by Congress during FY 1979, funds may be shifted from the CRMC Branch of the Institute to compensate for Population Center losses. We urge the Congress to enact the Institute's supplemental budget request, not only in order to provide needed support for the Population Center, but to preserve the already straitened MR/DD funding base.

This tendency to shore up various segments of the Institute by shifting funds from one program office to another is of great concern to us, particularly insofar as the Institute's MR/DD capability may be seriously jeopardized in consequence. While considerable progress has been made in meeting the needs of developmentally disabled children, there remains a significant gap in the Institute's research capability and programs directed at older developmentally disabled individuals (from adolescence to adulthood). Studies of the most effective mechanisms for providing services to this age group, as well as evaluations of their special physical, psychological, and social needs, are vitally needed, but at the present time cannot be met due to severe restrictions on funding for the Center for Research for Mothers and Children (CRMC) as a whole, and for the MR/DD branch in particular. To offset the possibility of removing or failing to allocate adequate funds for these areas, UCPA urges the Subcommittee to include in its budget recommendation language designating specific levels of support for MR/DD programs and projects. Without such specificity we are fearful that the Congressional intent to stimulate MR/DD research and development may be open to misinterpretation and vulnerable to internal transfers of funds from MR/DD to other programs.

In terms of specific dollar recommendations, we endorse the application of a 10.4% inflation factor to 1979 funding levels for all segments of the Institute budget, resulting in appropriations of $221.7 million for the Institute at large, $112.3 million for the Center for Research for Mothers and Children, and $32.8 million for the MR/DD Branch.

National Institute of Allergy and Infectious Diseases (NIAID)

Viral infections (viruses, bacteria, and other microorganisms) affecting fetal development are etiologically related to the causes of certain developmental disabilities such as cerebral palsy. Other diseases, such as varicella (chicken pox) and cytomegalovirus (CMV), are known causes of neurological disorders occurring early in life. The relationship of infections to neurological disability has only recently begun to be studied; perinatal infections and their effects on the developing nervous system, neonatal bacterial diseases, viral respiratory infections, and bacterial meningitis are all important areas under investigation.

UCP is currently providing support for several projects in these vital areas; however, there are a number of equally worthy projects which our Foundation has approved but, due to fiscal constraints, has been unable to fund at the present time. (cf. Appendix C, III and IV)

- Budget Recommendations

Although the causal relationship between infectious diseases and neurological disorders such as cerebral palsy is becoming increasingly recognized by the scientific community, NIAID has for a number of years suffered the lowest grant pay rate of all the National Institutes of Health. Given this context of chronic underfunding, we are deeply distressed by the President's proposed budget reductions in the Institute's two primary programs, immunology/allergic/immunologic diseases, and microbiology/infectious diseases. As an alternative we recommend at a minimum retention of FY 1980 budget levels, adjusted by a 10.4% inflation factor (the NIH recommended inflation factor for direct and clinical research).

National Institute of Neurological and Communicative Disorders and Stroke

- UCP Related Activities

UCP-supported research projects in areas of interest interfacing with NINCDS concerns include the development of surgical techniques to reduce the impact of disability, the isolation and application of pharmacologic agents related to the control of spasticity and athetosis, bioengineering contributions which improve the quality of life for persons with disabilities, and prevention activities directed at eliminating such environmental causes of cerebral palsy as trauma, accidents, chemical reactions, and child abuse. (cf. Appendix C, V)

- Needed Research Support

1. Office Of Biometry And Epidemiology

In order to implement the various federal initiatives affecting persons with developmental disabilities it is essential for planners to be able to obtain accurate incidence and prevalence figures by age group, sex, race, socioeconomic status and geographic location. Additional epidemiologic data such as pregnancy history, neonatal status, types of morbidity during childhood and adulthood, life expectancy, and severity of involvement are also vital components in determining the service needs of persons with cerebral palsy and other developmental disabilities.

Although to a limited extent these data are available from widely scattered government sources, at the present time there exists no central data source providing comparable statistics on persons with developmental disabilities. Without bases of comparability it becomes exceedingly difficult to assess the scope and nature of the population to be served, much less plan comprehensive and coordinated services for it.

As the federal research agency concerned with aspects of all four developmental disabilities (cerebral palsy, mental retardation, autism, and epilepsy), NINCDS would appear to offer a logical home-in-government for the collection, analysis and dissemination of such data in a format which would provide comparability among disabilities. In fact, the Institute's Office of Biometry and Epidemiology is already in the process of conducting general surveys on an assortment of neurological disorders. Regrettably, efforts directed specifically at conditions associated with the developmental disabilities are fragmented and uncoordinated even here, as they are throughout the federal system.

We have already commented on the inadequacy of the proposed appropriation for NINCDS research activities. At this time we would like to urge the specific designation of $750,000 of the proposed increase for development of a data collection system of the type outlined above. This figure would include $250,000 for planning purposes and $500,000 for systems operation. We are convinced that not until a coherent and reliable data system of this sort is functional can an efficient, cost effective, comprehensive planning and service delivery mechanism be generated to serve persons with developmental disabilities. Once established, the data system should prove a valuable assessment and planning tool not only for NIH but for federal agencies addressing the needs of developmental disabled individuals.

2. Neuropharmacology

Appendix C, VI contains an example of potentially significant neuropharmacological research which the UCP Research and Educational Foundation has approved but been unable to fund. As has previously been stated, it has been generally recognized that some types of cerebral palsy can be greatly ameliorated through the use of pharmacologic agents associated with the control of specific functional problems. This is an area in which UCP recognizes a vital unmet need, and in which NINCDS intervention, through its Neurological Disorders Program, would be most appropriate.

3. Surgical Techniques

UCP has been financing followup projects to obtain appropriate information about the chronic cerebellar electrode implant therapy procedure. This surgical procedure involves the implant of electrodes on the surface of the cerebellum permitting that part of the brain to be electrically stimulated. The cerebellum controls balance and coordination, and the technique has been successful in reducing spastic conditions and inhibiting epileptic seizures.

There is an immediate need for a nationally organized, objective evaluation of the chronic cerebellar stimulation procedure. For a two-year study involving 100 patients an estimated $100,000 would be required to reimburse patient travel expenses, provide consultant fees to participating neurologists and neurosurgeons, and support evaluation supervision and overhead.

The study should be expanded to compare the use of different types of hardware currently in use. Such a comparison would be of value to the Food and Drug Administration in helping to arrive at specifications and standardizations of electrodes and related hardware used in this procedure. The estimated cost of such a comparative study is $250,000.

- Budget Recommendation

During the past six years NINCDS has experienced a dramatic erosion of its clinical research program as a result of inadequate budget allocations coupled with an increasing inflation factor. It has been estimated that NINCDS will require $222 million in FY 1980 simply to maintain a level of buying power approximating its FY 1974 capability. A demonstrated need to expand and/or redirect the Institute's research efforts (cf. *supra*) will require additional funding to insure research quality and continuity.

For these reasons we recommend an FY 1980 appropriation of $286 million for NINCDS: $19 million to compensate for inflation, $42 million to bring basic research to a 250 payline, and $13 million to implement key recommendations of the Epilepsy and Huntington's Disease Commissions. In the face of indisputable research needs in this area we are dismayed that the President's budget request for FY 1980 proposes a decrease in funding for the Institute as a whole and for the neurological disorders program in particular.

APPENDIX A

RECOMMENDED APPROPRIATIONS REQUEST FOR FY '79 SUPPLEMENTAL & FY '80 REHABILITATION, COMPREHENSIVE SERVICES AND DD AMENDMENTS OF 1978

Derived by Consensus of Coalition of Disability Groups

(figures are in millions)

Item	Amount Appropriated FY 78	Administration Budget Request FY 79	Coalition Recommendation FY 79	Coalition Recommendation FY 80
BASIC STATE VR SERVICES	$760.472	$808.000	$808.0	$880.0 1/
maintenance of effort		9.484	9.484	9.484
Section 101(b)(1), 110 (b)(2)				
INNOVATION & EXPANSION	18.0	18.0	21.0	25.0
Section 100(b)(2)				
RESEARCH (incl.Nat'l Institute)	31.5	31.5	40.0	50.0 2/
Section 201				
TRAINING SERVICES AND	7.4	4.9	11.0	20.0
FACILITIES IMPROVEMENTS				
TRAINING	30.5	30.5	34.0*	35.0
Section 304 (d)				
SPECIAL PROJECTS:**				
SEVERELY DISABLED - § 311		7.048	15.0	
MIGRANT WORKERS - § 312		1.53	2.0	
HELEN KELLER CENTER - § 313		2.5	2.5	
READER SERVICES - § 314			4.0	
INTERPRETER SERVICES - § 315			6.0	
RECREATION - § 316			3.0	
CLIENT ASSISTANCE - § 105		1.5	1.5	
EVALUATION - § 131			0	
PROJECTS WITH INDUSTRY	4.5	4.5	6.5	10.0
Section 623				
Business Opportunities - 612			.5	
INDEPENDENT LIVING - Title VII		2.0	25.0	125.0 3/
Section 731 (a)			3.0	
P & A - Section 731 (d)				
NATIONAL COUNCIL			? .5	1.5
Title IV - Section 405				
EMPLOYMENT SERVICES			15.0	40.0
Section 732?				
DEVELOPMENTAL DISABILITIES:				
Title V				
STATE GRANT PROGRAM	30.0		32.1	46.9
SPECIAL PROJECTS	19.5		19.5	10.0
UNIV. AFFILIATED FACILITIES	6.5		7.6	12.0
P & A	3.0		6.0	12.0

FOOTNOTES

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* Authorization ceiling for FY 79

** The Administration's definition of Special Projects made it impossible to derive figures which would coincide with the coalition's.

1/ The State Formula Grant program is a legal entitlement item for which the appropriations committees must provide a full authorization level. The $72 million coalition request in 1980 represents a 9% increase over the FY 79 supplemental coalition request and is the estimated cost of living increase. This is a matching program and it has been determined that states have the money to match all available federal funds.

2/ Congress has indicated that a major new research effort is needed and this recommendatio reflects that expectation with an adequate staff complement.

3/ This figure would include all independent living projects currently underway, including those currently funded by Innovation and Expansion Grant funds as well as full authorized funding for P & A systems.

APPENDIX B

HISTORY OF DEVELOPMENTAL DISABILITIES APPROPRIATIONS

I. DD State Formula Grant Program

Authorization Levels	Authorizing Statute	Fiscal Year	Appropriations
$60 million	(P.L. 91-517)	1972	$21.715 million
$105 million	(P.L. 91-517)	1973	$21.715 million
$130 million	(P.L. 91-517)	1974	$30.875 million
Continuing Resolution		1975	$30.875 million
$40 million	(P.L. 94-103)	1976	$30.058 million
$50 million	(P.L. 94-103)	1977	$30.058 million
$60 million	(P.L. 94-103)	1978	$30.058 million
$55 million	(P.L. 95-602)	1979	$30.058 million
$65 million	(P.L. 95-602)	1980	$46.880 million (request)

II. DD Protection And Advocacy Grants

$3 million	(P.L. 94-103)	1976	$1.5 million
$3 million	(P.L. 94-103)	1977	$3.0 million
$3 million	(P.L. 94-103)	1978	$3.0 million
$9 million	(P.L. 95-602)	1979	$3.0 million
$12 million	(P.L. 95-602)	1980	$3.0 million (request)

III. DD Special Projects

Authorization Levels	Authorizing Statute	Fiscal Year	Appropriations
$7 million	(P.L. 91-517)	1972	$23.575 million
$10 million	(P.L. 91-517)	1973	$18.500 million
$14 million	(P.L. 91-517)	1974	$18.500 million
Continuing Resolution		1975	$18.500 million
$18 million	(P.L. 94-103)	1976	$18.432 million
$22 million	(P.L. 94-103)	1977	$19.617 million
$25 million	(P.L. 94-103)	1979	$19.567 million
$20 million	(P.L. 95-602)	1979	$19.567 million
$22 million	(P.L. 95-602)	1980	$ 4.756 million (request)

IV. DD UAP Administration/Operating Grants

$15 million	(P.L. 91-517)	1972	$ 4.250 million
$17 million	(P.L. 91-517)	1973	$ 4.250 million
$20 million	(P.L. 91-517)	1974	$ 4.250 million
Continuing Resolution		1975	$ 4.250 million
$15 million	(P.L. 94-103)	1976	$ 4.250 million
$18 million	(P.L. 94-103)	1977	$ 5.250 million
$21 million	(P.L. 94-103)	1978	$ 6.500 million
$12 million	(P.L. 95-602)	1979	$ 6.500 million
$14 million	(P.L. 95-602)	1980	$ 3.000 million (request)

APPENDIX C

I. UCP-SUPPORTED RESEARCH PROJECTS RELATIVE TO NICHD CONCERNS: FUNDED

Researcher	Project Title	Amount
Allen, Geo. S., M.D., Ph.D. Johns Hopkins Hospital Baltimore, Maryland	An in vitro Study of Receptor Mechanisms and Contractile Properties of Newborn Cerebral Arteries	$41,045
Daum, Cecilia, M.D. Albert Einstein College of Medicine New York, New York	Neurobehavioral Assessment of Low Birth Weight Infants	$54,025 ($19,155; 1978)
Frantz, Ivan D. III, M.D. Children's Hospital Medical Center Boston, Massachusetts (Direct funding from The Hearst Foundation)	The Effect of Maternal Diabetes on Fetal Lung Maturation	$122,250 ($43,340; 1978)
Roberts, Sidney, Ph.D. University of California Los Angeles, California	Effects of Amino Acid Imbalance on Amino Acid and Protein Metabolism in the Developing Brain	$90,665 ($46,665; 1978)
Weiss, Gerson, M.D. N.Y.U. Medical Center New York, New York	Evaluation of the Role of Relaxin in Controlling Pregnancy and Preventing Prematurity	$80,000 ($40,000; 1978)
Yount, John E., M.D. University of Oregon Health Sciences Center Portland, Oregon	Development and Testing of a Microprocessor Based System for Monitoring Respiration and Controlling Oxygen in the Neonate and Fetus	$324,518 ($74,696; 1978)

II. UCP-SUPPORTED RESEARCH PROJECTS RELATED TO NICHD CONCERNS: APPROVED BUT NOT FUNDED

Researcher	Project Title	Amount
Freeman, Roger K., M.D. University of California Memorial Hosp. Med. Ctr. of Long Beach Irvine, California	A Collaborative Study of Stress Testing in High Risk Pregnancy	$54,953 (Two years)
Golichowski, Alan, M.D. Indiana University School of Medicine Indianapolis, Indiana	Cervical Connective Tissue Proteoglycan Changes in Pregnancy	$57,276 (Two years)
Tennyson, Virginia M., Ph.D. Columbia University College of Physicians & Surgeons New York, New York	Studies of Chemical Lesions in Catecholamine Neuroblasts	$11,848 (One year)

III. UCP-SUPPORTED RESEARCH PROJECTS RELATED TO NIAID CONCERNS: FUNDED

Researcher	Project Title	Amount
Johnson, Richard T., M.D. Johns Hopkins University Baltimore, Maryland (Direct funding from The Hearst Foundation)	Effects of Perinatal Infections on the Developing Nervous System	$157,858 ($55,621; 1978)
McCracken, Geo. H., Jr., M.D. University of Texas Dallas, Texas	Assessment of Immune Mechanisms in Pathogenesis of E. *coli* Meningitis	$35,253 ($18,234; 1978)

IV. UCP-SUPPORTED RESEARCH PROJECTS RELEVANT TO NIAID CONCERNS: APPROVED BUT NOT FUNDED

Researcher	Project Title	Amount
McCracken, Geo. H., Jr., M.D. University of Texas Health Science Center at Dallas Southwestern Medical School Dallas, Texas	Studies of the Epidemiology, Pathogenesis and Prevention of Neonatal Bacterial Diseases	$73,544 (Two years)
Nelson, John D., M.D. University of Texas Health Science Center at Dallas Southwestern Medical School Dallas, Texas	Viral Respiratory Infections and Bacterial Meningitis	$105,878 (Three years)

V. UCP-SUPPORTED RESEARCH PROJECTS RELEVANT TO NINCDS CONCERNS: FUNDED

Researcher	Project Title	Amount
	Surgical Techniques	
Cataldo, Michael F., Ph.D. John F. Kennedy Institute for Handicapped Children Baltimore, Maryland	Applications of Electrophysiological Conditioning to the Treatment of Cerebral Palsy	$24,012
Cooper, Irving S., M.D. St. Barnabas Hospital Bronx, New York	Studies of Chronic Cerebellar Stimulation in Cerebral Palsy	$25,000
Gilman, Sid, M.D. University of Michigan Ann Arbor, Michigan	Cerebellar Stimulation in Experimental Hypertonia	$97,569 ($50,617; 1978)
Hoffer, Mark, M.D. Rancho Los Amigos Hospital Downey, California	Computer-aided prediction of postoperative gait of persons with cerebral palsy	$11,845
Penn, Richard D., M.D. Rush-Presbyterian-St. Luke's Chicago, Illinois	Quantitative Evaluation of Chronic Cerebellar Stimulation in Man	$73,580 ($34,290; 1978)
	Neuro-Pharmacology	
Bromberg, Mark B., Ph.D. University of Michigan Ann Arbor, Michigan	Neurophysiological Mechanisms of Spasticity	$100,707 ($51,387; 1978)
	Bioengineering	
Driscoll, Mary C., OTR and Mann, Robert, Sc.D. Kennedy Memorial Hospital Brighton, Massachusetts	Creative Technological Aids	$10,000
Rowell, Derek, Ph.D. M.I.T. Cambridge, Massachusetts	A Project to Develop and Evaluate A Universal Communication System for the Speech Impaired	$24,190
Sell, Heiner, M.D. Institute of Rehabilitation Medicine New York, New York	Application of Voice and/or Breath Controls for Powered Wheelchairs and Environmental Equipment for the Cerebral Palsied	$73,976
	Environmental Causes	
Zimmerman, Andrew W., M.D. University of Connecticut Health Center Farmington, Connecticut	Zinc Transport in Pregnancy	$70,000 (Two years)

VI. UCPA-SUPPORTED RESEARCH PROJECT RELATIVE TO NINCDS CONCERNS: APPROVED BUT NOT FUNDED

Neuropharmacology

Buckingham Young, Anne, M.D., Ph.D. University of Michigan University Hospital Ann Arbor, Michigan	Neurochemical Correlates of Spasticity	$69,000 (Two years)

STATEMENT OF C. WAYNE BARDIN, M.D.

I am C. Wayne Bardin, M.D., from the Center for Biomedical Research of the Population Council, New York, New York. The Population Council is a non-profit organization which conducts research on a wide variety of population problems, including development of new contraceptives; evaluation of the safety of fertility regulating methods; study of the human reproductive process relevant to fertility and infertility; and evaluation of the social and demographic determinants of population change. As Director of the Center for Biomedical Research of the Population Council, all of my professional activities are devoted to solving reproductive problems and I am, therefore, interested and concerned about the government's efforts to deal with population issues. My qualifications are summarized on the attached curriculum vitae.

I am appearing today on behalf of the Endocrine Society. This is an organization of over 3,000 scientists and physicians devoted to research in endocrinology--the study of the endocrine glands and the hormones they produce. Briefly stated, hormones are chemical messengers that are secreted internally by endocrine glands and carried to other parts of the body where they modify physiological activity. Hormonal activities are central to both the existence and enjoyment of life.

Population research is a major interest of the Endocrine Society. The responsibility for this research at the National Institutes of Health (NIH) lies with the Center for Population Research (CPR). The CPR is the unit of National Institute of Child Health and Human Development (NICHD) with the primary responsibility for population research under Title X of the Public Health Service Act. Such research covers a variety of fields in both the biomedical and behavioral sciences, including development of new contraceptives; evaluation of the safety, reliability and usability of existing methods of fertility control; studies of reproductive processes, which lead to an understanding of infertility and development of the reproductive system; and studies in social and behavioral sciences relating to family planning services, demography and population policy.

The need for, and usefulness of, such research has been demonstrated in many ways. The most striking benefit has been the marked increase in family planning choices available to individuals in all socioeconomic groups through the development of new contraceptives such as the pill and the IUD. But even these developments leave us far short of our goal of providing safe, effective and acceptable methods for fertility control. For some women, current contraceptive technology is either medically unacceptable or incompatible with personal needs or beliefs. Even the most effective methods currently used have unacceptable failure rates in actual use. Thus, even with the best use of current technology there are large numbers of unwanted pregnancies which increase the pressure for abortion. In addition, there is growing apprehension over the long term health consequences of some methods. These considerations lead to the conclusion that there is both a desire and a need for new contraceptive techniques. Among these needs are new methods for men which would allow them to share the family planning responsibilities.

The CPR is the principal source of federal support for contraceptive development and evaluation, including research in natural methods of family planning. CPR is not only concerned with the prevention of unwanted births, but also with the causes of infertility. Research supported by CPR has led to significant advances that aid barren couples in conceiving children.

Unfortunately, this extremely important work has been seriously slowed by a fiscal emergency. Because Congress failed to pass legislation to extend Title X until near the end of the 95th Congress, no funds were included in the Fiscal Year 1979 Labor-HEW Appropriations Bill for CPR. In order to provide funds to support "alternatives to abortion" and "research on teenage pregnancy," the Administration had recommended a substantial increase for CPR in the FY 1979 budget, from $61 million to $77.8 million. The failure of the appropriation has left CPR operating throughout the current fiscal year on a continuing resolution at last year's funding levels.

The consequences have been severe. While the rest of NICHD has been able to fund research grants with priority scores of up to 258 (about the optimum level), CPR has been unable to fund any individual research grant application with scores over 163, and that figure is going down as the year progresses. Stated somewhat differently, last year CPR was able to fund about 40% of individual grant applications. While numbers of applications are about the same this year, only 20% have been funded so that the lack of an appropriation has meant that grant applications submitted by researchers are being funded at one-half last year's rate. Without additional funds, a more severe cut in the number of new grants awarded will be necessary.

Even this reduced level of funding has been achieved only by withholding funds from major ongoing research projects that have the misfortune to be up for renewal at this time. Because of the funding gap produced by this timing error, important projects at the University of Washington, Columbia University, the University of Michigan, Pittsburgh University, the Oregon Primate Center and Case-Western Reserve in Ohio are in jeopardy.

In an effort to correct this error, the Administration has requested an FY 1979 supplemental appropriation of $10.7 million for CPR. These funds are vitally needed. But I urge that the Subcommittee go beyond this recommendation and approve, as a supplemental appropriation, the entire $16.8 million necessary for CPR to reach the funding level of $77.8 million that was originally recommended by the Administration in its FY 1979 budget. This original assessment was to allow for funding of 40% of new grants; this need has, in no way, diminished in the period since that recommendation was made. These are the funds that almost certainly would have been appropriated had not the necessary authorizing legislation been caught up in last year's legislative logjam. Please do not compromise the Nation's effort to solve our major population problems.

My remarks have been devoted almost entirely to the need for a supplemental appropriation for CPR because of the critical need that exists. In the limited time available, I will not discuss the appropriation for FY

1980, other than to say that we support an appropriation of $243.1 million for NICHD which will provide an increase of approximately $8.8 million for CPR over the funding level originally recommended for FY 1979. I refer you to the full statement submitted by the Endocrine Society for the supporting details.

Research in endocrinology is also supported by the National Institute of Arthritis, Metabolism and Digestive Disease (NIAMDD). We recommend an appropriation of $370 million for this Institute to permit the endocrinology program, which is now only funding grant applications with priority scores below 220, to get up to a level of 250. Again, I refer you to the full statement of the Endocrine Society for the supporting details.

Finally, I want to express our support for the very important research training program conducted by all of NIH. Like population research, this program was a victim of an appropriation lag in FY 1979 because of delayed authorizing legislation, and it is now operating at the FY 1978 funding level under the continuing resolution. We recommend that sufficient funds be appropriated as an FY 1979 supplemental appropriation to enable the research training program to reach the level originally budgeted for the current year.

CURRICULUM VITAE

Name: Clyde Wayne Bardin

Date and Place of Birth: September 18, 1934 - McCamey, Texas

Education:

1957 - B.A. (Biology), Rice University, Houston, Texas
1962 - M.S. With honor, Baylor University College of Medicine, Houston, Texas
1962 - M.D. With honor, Baylor University College of Medicine, Houston, Texas

Professional Appointments:

1962-63 Internship, Medicine, New York Hospital, Cornell Medical Center, New York, New York
1963-64 Assistant Resident, Medicine and Endocrinology, Fellow in laboratory of Dr. Ralph E. Peterson, New York Hospital, Cornell Medical Center, New York, New York
1964-67 Clinical Associate, Endocrinology Branch, National Cancer Institute, Bethesda, Maryland
1967-70 Senior Investigator, Endocrinology Branch, National Cancer Institute, Bethesda, Maryland
1970-72 Associate Professor of Medicine, Chief of the Endocrinology Division, The Milton S. Hershey Medical Center, The Pennsylvania State University
1970-78 Associate in Physiology, Department of Physiology, The Milton S. Hershey Medical Center
1970-78 Consulting Physician, Lebanon Veterans Administration Hospital, Lebanon, Pennsylvania
1972-78 Professor of Medicine, Chief of the Endocrinology Division, The Milton S. Hershey Medical Center, The Pennsylvania State University, Hershey, Pennsylvania
1978 Vice-President of the Population Council, Chief of the Biomedical Division, Rockefeller University, New York, New York

Societies:

Alpha Omega Alpha
American Federation for Clinical Research
American Society for Clinical Investigation
Endocrine Society
Society for the Study of Reproduction
Pacific Coast Fertility Society

Editorial Appointments:

1969-70 Associate Editor, Journal of the National Cancer Institute
1972-76 Editorial Board, Endocrinology
1973-78 Editorial Board, Endocrine Research Communications
1973- Editorial Board, Medical Biology
1974-76 Editorial Board, Andrologia
1976- Editorial Board, American Journal of Physiology
1977- Editorial Board, International Journal of Andrology

National and International Committees:

1971-76 Contract review panel of fertility regulating methods evaluation branch, NICHD, NIH, Bethesda, Maryland
1972-76 Endocrinology Study Section
1972-73 World Health Organization, Task Force of Population Control: Use of Antihormones
1973-76 Contract review panel of Contraceptive Development Branch, NICHD, NIH, Bethesda, Maryland
1973- National Prostate Cancer Task Force, National Cancer Institute, Bethesda, Maryland
1974-75 World Health Organization. Task Force of Population Control: Sperm Maturation
1975- Advisory Review Committee, International Division of the Ford Foundation
1975-76 Chairman, Postgraduate Committee of The Endocrine Society
1976- Member of the Endocrine Society Council
1977- Chairman, Endocrine Study Section
1977-78 Committee Member of Public Affairs Committee of the Society for the Study of Reproduction

Honors and Awards:

1958	John Chambless Haley Medal for excellence in the study of Anatomy
1958	Eben J. Carey Memorial Award for Anatomy
1958	First place, Annual Essay Contest of the Osler Society of Baylor University College of Medicine. "The Humors of Shakespeare".
1959	First place, Annual Essay Contest of Texas Division of the American Cancer Society. "Tumorigenic Effects of Pituitary Isografts: A Correlative Study of Human and Mouse Mammary Carcinoma".
1965	Ayerst Travel Grant
1973	State of the Art lecture at the Annual Meeting of The Endocrine Society. "Testicular Function-Hormone Action and Regulation".
1975	Hoechst-Roussel Lecture, Pacific Coast Fertility Society, "Recent Developments in Androgen Secretion and Metabolism in Men".
1976-77	Josiah Macy Jr. Foundation Scholar Award

Summary of Recommendations of the Endocrine Society

1. NICHD -- Center for Population Research

   FY 1979 Supplemental Appropriation: $16.8 million (Increase originally budgeted for FY 1979).

   FY 1980 Appropriation: $86.6 million ($8.8 million increase over amount originally budgeted for FY 1979).

2. NIAMDD -- Endocrinology Program

   FY 1980 Appropriation: $33.5 million ($7.6 million increase over FY 1979).

3. NIAMDD -- Diabetes Program:* $73.7 ($12.1 million increase over 1979).

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*A portion of the funds allocated to the Diabetes Program is used to support diabetes-related research in endocrinology.

STATEMENTS OF:

NAOMI BROERING, CHAIRMAN, MEDICAL LIBRARY ASSOCIATION
LOIS ANN COLAIANNI, PRESIDENT-ELECT, MEDICAL LIBRARY ASSOCIATION
SAMUEL HITT, PRESIDENT-ELECT, ASSOCIATION OF ACADEMIC HEALTH SCIENCES LIBRARY DIRECTORS
LYNN KASNER, REGIONAL COORDINATOR, NEW YORK ACADEMY OF MEDICINE LIBARY

Senator HATFIELD. Ms. Naomi Broering. All right, fine. We welcome your group.

Ms. BROERING. I'd like to introduce Mr. Sam Hitt; he's the director of the medical library, University of North Carolina. And he's president-elect of the Association of Academic Health Sciences Library Directors.

And then to his left is Lois Ann Colaianni, president-elect, Medical Library Association, and director of the Cedars-Sinai Medical Center, Health Science Information Center.

And then Lynn Kasner, and she's regional coordinator for the New York Academy of Medical Sciences Library program, and she represents that library program.

Senator HATFIELD. Thank you very much. Now, who is the spokesman?

Ms. COLAIANNI. I'm Lois Ann Colaianni. And we thought all three would talk.

Senator HATFIELD. Well, you're going to have about 5 minutes for all three.

Ms. COLAIANNI. All three.

Senator HATFIELD. I have to go down—I cannot skip the White House today. I've skipped another meeting or two, but I will have to leave here in about 5 minutes. So if you'll kindly summarize, we'll place your full statements in the record.

Ms. COLAIANNI. Fine, then I will——

Senator HATFIELD. They will be studied.

MEDICAL LIBRARY ASSISTANCE ACT

Ms. COLAIANNI. I'd like to make two points, briefly, Mr. Chairman. First of all, the Medical Library Assistance Act does two things that I'd like to speak about. First of all, it has been developing the information resources down to a local level through a series of grants and matching funds. And that's one reason I think the program should be funded as authorized. And the second program that they're involved in is research and development for hospitals, which are usually one of the small points at which this information is disseminated, and those distant from the metropolitan centers are a problem with cost containment and the libraries are being affected.

One way of assisting hospital libraries is by developing cost effective technologies like the Medlar for progress, research and progress so these are available and can be used, and it does not necessitate quite so many people and so much expensive material.

Senator HATFIELD. Thank you.

MEDLAR SYSTEM

Mr. HITT. I was very pleased, Senator Hatfield, to hear you ask Mr. Lierman to explain about the Medlar system. This data base which pulls out the latest information cannot be accessed without librarians, basically, and what I would like to speak for, as my statement indicates, is training. The technological advances in the past 5 years have been so heavy that librarians have been working hard, and we need money for training for several reasons, partly to access data bases.

Senator HATFIELD. Thank you.

REGIONAL MEDICAL LIBRARY PROGRAM

Ms. KASNER. I represent 1 of 11 national programs that kind of bring together everything that's going on in the medical library community, and that is the regional medical library program. This is a national network through which informational materials are made available to health practitioners, to health researchers, and to students in various health programs.

It's the only existing national library network, and it's funded not only from Federal sources, but also from support by various State agencies, by participating institutions, and funds from users of the system.

With the cost of health care on the rise, we really feel that cooperative programs such as the regional medical libraries become even more important. Resources that are used are based on 11 strong collections that are already in existence. So Federal funds are not being used for duplication of materials that already exist.

One of the largest portions of the program is interlibrary loan, and that is actually getting materials to practitioners as they need them. Practitioners include physicians, nurses, laboratory technicians, pharmacists, optometrists.

Under the regional medical library program, health scientists and librarians meet to develop cooperative programs. Hospital libraries have banded together to form consortia and share resources, and medical school libraries work on cooperative services.

The regional medical library program staffs are often quite small. For example, in the Missouri Medical Library and the regional medical library that serves the largest number of medical health practitioners in the country, has a staff of 2 professionals and 1.5 support positions. The staff members provide these services in addition to managing the program.

The program is really vital to the Nation's health information services. But there are many things that are left undone because funding levels have been inadequate. Demands for interlibrary loans exceed what the program can support. There is not enough grant money available to fund many of the projects.

There is not enough support to educate administrators in hospitals without libraries about the importance of information services. There are no funds to establish Federal links with public libraries to provide health information to the consumer.

Now, new programs such as regional references remain undeveloped.

A supplemental budget appropriation for $6 million for 1979 and a budget appropriation of $16.5 million in 1980 will allow these new programs to come about.

The existing regional medical library program provides a framework for provision of information service. We're asking the committee to provide the funds necessary to carry out the program.

AVAILABILITY FACTOR

Senator HATFIELD. Thank you. Now, your thesis about this data and communication that is so necessary between research centers is provided and dependent upon library programs and services. I would accept that and believe that's a valid thesis. But the presumption must then be made that everyone has access to those publications; some availability factor there is the *x* factor.

And as I understand you, all of you, in presenting this plea for funding of the existing services and for the regional service, does that presumption of equal access or opportunity availability exist today? Is that a conclusion that I can draw?

Ms. COLAIANNI. Yes. Great strides actually have been made. I think we reach down to over 2,600 institutions. Now it's probably greater than that. But let me illustrate one thing. In northern California there is a town looking for its first physician. And there's a young doctor apparently from San Diego who's interested in moving up there. But he feels he must have access to a library, and there isn't any health information resource in that area.

Now someone needs to work in that area to tie into a larger one. And that's really what we're asking funds for, to complete that movement of the regional libraries' influence all the way down. And they're doing it by building up small libraries, by accessing through public libraries.

Senator HATFIELD. These publications are expensive, aren't they?

Ms. COLAIANNI. Yes, it's impossible.

Senator HATFIELD. Every library is not going to be able to have every one of them.

Ms. COLAIANNI. Right. Right.

INTERNATIONAL PUBLICATION FIELD

Senator HATFIELD. What about international; do you also coordinate that, the international publication field into these same regional and local libraries? Language translation, who provides for that?

Ms. COLAIANNI. The National Library of Medicine does some translations. And then there is a publication listing of articles that are translated.

Senator HATFIELD. Do you have any census or estimates of the numbers of researchers or centers or areas or institutions, however you want to describe them, which today are not—do not have access to this kind of broad library service that you mentioned, like this one example that you mentioned, this one in California.

Do you have a number or a quantitative analysis of that problem?

Ms. COLAIANNI. I can't——

Senator HATFIELD. If you don't have it now, you may be able to give it for the record.

Ms. KASNER. I can give you an idea. In the Newark, N.J., area we have a mailing list of about 500 institutions and out of that about 500 are places where we've identified librarians and librarian resources. The rest are places we've identified in institutions that should have libraries but we've been able to identify an individual there.

Senator HATFIELD. You mean 700 do not have—the majority do not have——

Ms. KASNER. That's right. What we did is we assembled a list of all hospitals in the area, all of the area government health agencies, and we drew up our list from that. And we send them information. We send them our publications. But those are institutions from which we get no feedback. There are figures that about—let me see—about 46 percent of the Nation's hospitals are rural hospitals and they have an average number of 160 beds.

So in that case you're talking about a lot of small institutions.

Senator HATFIELD. Yes, which would not necessarily have to require a library at the institution site, but access to a regional system.

Ms. KASNER. Right. And that's really what the regional medical library—the access is the important——

Senator HATFIELD. Right, right.

Ms. COLAIANNI. I don't think you need a library at every hospital. It would cost too much.

Ms. BROERING. The National Library of Medicine did help us gather some figures, and we accounted for approximately 8,000 medical or science libraries affiliated with educational programs in the United States. And out of the 8,000, through the regional medical library program, it has been able to reach only about 2,500.

And the reason we're asking for the money is to try to expand and reach these other health professionals that need the information. That's just accounting for the educational institutions. Now, that's not all the other associations, societies, private industry that also need it.

Senator HATFIELD. Well, thank you very much. You've been very helpful. I appreciate it.

Ms. COLAIANNI. If we can answer any other questions—I appreciate your pressure at this time.

[The following statements were submitted for the record. Several additional statements which were not received in time for inclusion in the hearing record are on file in the subcommittee office.]

STATEMENT OF F. MAROTT SINEX, BOSTON UNIVERSITY

Senator Magnuson, members of the committee, I am F. Marott Sinex, Chief of the section of Bio-Medical Gerontology of Boston University School of Medicine. I am testifying on behalf of the American Aging Association, AGE, an organization of scientists and laymen interested in research on the biology of aging and the causes of senility. I am a past president of AGE as well as of the Gerontological Society, and for 21 years was chairman of the Biochemistry Department of Boston University School of Medicine. I am currently chairman of the Citizens Advisory Commission to the Department of Elder Affairs of the Commonwealth of Massachusetts.

I am speaking in support of those aspects of the National Institute on Aging programs which deal with the causes of aging and the prevention of senility.

The time has come to do something about senility. Senility should be made a preventable and treatable illness, particularly that form known as Alzheimer type senile dementia. People fear senility. Fear it more than cardiovascular disease, and according to my informal polls, fear it more than cancer.

This is our most costly medical problem. Mental problems fill half of the beds in our nursing homes, and half of these, or a quarter of long-term beds are filled with dementia patients of the Alzheimer type.

More nursing homes are not the answer. Home care is not the answer. Medicaid is not the answer. Medicare is not the answer. Furthermore, you can't afford them. This disease is costing billions. Billions you don't have. Less than one-tenth of 1 percent of the cost is being spent on research.

Research costs millions. It offers answers. The best answer. Prevention, and a good answer, treatment.

There has to be a desire. There has to be technically competent scientists addressing the problem, and there has to be funds.

Research on senility requires good epidemiology, utilization of existing longitudinal populations, and cooperation with the dementia program of the World Health Organization. It requires sophisticated molecular biology, pathology and biochemistry, advanced immunology, nutrition, endocrinology, and virology.

AGE supports those aspects of the National Institute on Aging's program which relate to the causes of aging and the prevention of senility.

Dr. Butler has testified as to his plans. Private groups are now organizing in Boston, Seattle, and Denver to promote research on senility. The private sector may now be moving ahead of the bureaucracy in their recognition that these are problems which won't be solved by national health insurance, even if there were coverage which there won't be, but will continue to afflict families and spouses with immense anguish.

Congress can show its desire by appropriating funds in excess of the President's budget and insisting that NIH and NIA provide an appropriate sense of mission, for solutions, not bandaids.

The President's budget of $56.5 million, which is essentially level funding would reduce current programs through the loss of 25 positions. To fund 50 percent of the approved applications would require another $5.5 million.

AGE would suppgest the following expansion of the existing budget:

$56.5 million	—the President's request;
6.1	—inflation at 7.5 percent;
5.5	—to fund 50 percent of approved investigator initiated grants;
1.6	—to develop new animal models for dementia research;
1.4	—to train new clinical investigators, biochemists, immunologists, nutritionists, and endocrinologists for dementia research;
1.2	—to add women to the Baltimore longitudinal study and extend its surveillance to the clinical experience of the subjects;
3.0	—for epidemiological studies of senility; and
4.5	—for SCORE type centers emphasizing the relationship between the basic biochemistry of aging tissue and senile dementia and cancer.
79.8	Total

There is no reason to believe that senility is a particularly difficult scientific problem. Rather it has become taboo because it afflicts a rejected group in a way too painful for us to observe. This should be changed. We should end senility now.

STATEMENT OF LOIS ANN COLAIANNI

My name is Lois Ann Colaianni and I am Director of Libraries at the Cedars-Sinai Medical Center, Los Angeles, California. I am also President-Elect of the Medical Library Association, the group I am representing on this occasion.

The Medical Library Assistance Act of 1965, as amended, authorizes the National Library of Medicine to conduct a program of grants and contracts to develop better and more accessible health information services. The most recent extension of the Act covering the period through 1981 was authorized by the 95th Congress. My colleagues and I are here today to urge that the funds be appropriated as authorized by the Senate.

In 1970, $6 million was appropriated for this Act. If allocations had kept pace with inflation, the 1977 appropriation would have been $10.2 million. The actual appropriation was $8 million. From 1971 to 1977, the funds appropriated constituted only 35% of the funds authorized.

The low level of funding during the past few years has resulted in, or contributed to, a reduction in programs essential to develop a health information delivery system for the 5 million health workers in America, especially those in areas distant from metropolitan centers.

The achievements made possible by the Act are impressive. Awards have been made for over 1400 grants for research, resource development, training, construction and publications. A network utilizing the resources of over 2,600 institutions has been established to meet the needs of health professionals.

Mrs. Kasner and Mr. Hitt will comment upon the Regional Medical Library and Training programs.

In the time allotted, I will address two additional programs funded through the Act.

The first is the Medical Library Resource Grant program. In 1978, grants have been used to improve the access to health information by supporting the development of statewide networks in Hawaii, Idaho, Maine, Nebraska, Oregon and South Dakota. Grants have also been awarded to institutions to develop basic collections and share resources. An illustration of this type of grant is the award made to the Merced Community Medical Center. This consortium, serving health professions in a rural area of Northern California, is composed of a county medical center, a public library, a junior college, a Catholic hospital and, participating without receiving grant funds, an Air Force Base. Resource Improvement grants require the commitment of funds by the participating institutions. It is interesting to note that even after Proposition 13, the members of the Merced Consortium approved the necessary matching funds to continue the development of their local health science information resource.

These grants have been effective in developing access points in communities where minimal or no access existed heretofore. Request is being made for $3 million for FY 79, an increase of $1.4 million, to expand the program.

During the first twelve years of the Act, less than 3% of the money appropriated has been used for the Research and Development program. In these times of information explosion and increasing costs of library operations, it is crucial that the new cost effective technologies be explored.

Hospital librarians are responding to the needs for patient care information, the needs of management information, the special needs of researchers, the continuing education needs of all types of health professionals and the increasing demand for consumer health information. Librarians in those primary care facilities can be responsive to all these needs and operate within the constraints of cost containment, only by using cooperative networks, shared services and cost effective technology. This program provides seed money to initiate cooperative and innovative projects. An appropriation of $3 million in FY 79 is requested for this program.

In summary, I'd like to mention one rural community trying to attract its first doctor. A dedicated physician has been contemplating establishing a practice in this area. He feels that he must have library resources in order to offer good patient care. There are no health information resources available at present.

Your support of the Medical Library Assistance Act by appropriating $15 million in FY 79 will continue and expand the accessibility of health information services throughout the nation.

Thank you for the opportunity to present testimony. I would be pleased to answer any questions or provide additional information.

Medical Library Association
1980 Recommendation

Public Law 95-622
Title II. Biomedical Research Extension Amendments of 1978
Part A. Medical Library Assistance Act 1979-1981

Appropriation
FY 1978 $8,987,000
FY 1979 $8,987,000

President's Request
FY 1980 $8,625,000

MLA Recommendation
FY 1979 $15,000,000
FY 1980 $16,500,000

Authorization
FY 1979 $15,000,000
FY 1980 $16,500,000

The Medical Library Assistance Act represents a collaborative effort between health sciences libraries and the NLM to improve and develop the delivery of health information. Medical librarians serve as key transmitters of recorded knowledge to health professionals; they are the primary facilitators through which biomedical information is rapidly transferred from the laboratory bench to practitioners. Development of an effective information delivery system is vital to the health field for support of education, research and patient care.

Unfunded needs that have become critical are expansion of the training grants for health science librarians in telecommunication and automated library technical processing systems, the Regional Medical Libraries and the resource grants programs. Modest increases would enable immediate access to high demand biomedical information to twice as many community hospitals and health care institutions. Because of the low funding level over the past 10 years of the authority, the program has only been able to make grant awards to approximately 600 libraries. However, there are over 8,000 health sciences libraries in the country. When the funding is increased to the recommended level, twice as many libraries on an annual basis will benefit directly from the program and perhaps five times as many institutions will benefit indirectly. The direct benefit results from the resource-sharing activity which is a primary objective of the library support programs.

The Regional Medical Library network consists of 11 regional libraries and 90 resource libraries. Its goal is to provide timely information services to all health workers. An immediate objective is to extend services to hospital libraries. Through the network approximately 2,500 hospitals have received RML services, but an additional 4,500 hospitals still need to be reached. Appropriation of $16.5 million in FY 1980 and a supplemental of $6 million in FY1979 will enable health libraries to provide information services to a greater proportion of the country's health professionals.

Budget History for Medical Library Assistance Act
(dollars in thousands)

PROGRAMS	PROGRAM PERFORMANCE 1976	1977	1978	1979	MLA RECOMMENDATIONS 1979	PRESIDENT'S BUDGET 1980	MLA RECOMMENDATIONS 1930
TRAINING GRANTS	*(13)$1,389	(10)$1,207	(11)$1,459	(10)$1,563	(25)$3,000	(10)$1,567	(25)$3,000
RESOURCE GRANTS	(43) 726	(66) 1,773	(52) 2,079	(47) 1,731	(100) 3,000	(34) 1,136	(150) 3,500
RESEARCH GRANTS	(17) 1,353	(15) 1,165	(13) 1,111	(22) 1,559	(30) 3,000	(27) 1,797	(35) 3,000
REGIONAL MEDICAL L'"ARIES	(10) 3,351	(9) 3,086	(9) 3,020	(9) 3,000	(10) 5,000	(10) 3,200	(10) 6,000
P. .ICATIONS/SPEC SCI.PROJ.	(46) 689	(46) 847	(54) 1,318	(44) 1,134	(40) 1,000	(38) 925	(39) 1,000
OTHER		(4) 276					
TOTALS	(142)$7,508	(140)$8,354	(139)$8,987	(132)$8,987	(205)$15,000	(119)$9,625	(259)$16,500

*Figures in parentheses represent number of awards.

STATEMENT OF SAMUEL HITT

Medical libraries, from the smallest hospital library to the largest academic library, really have but one goal--the accurate and speedy delivery of health care information. The skills required today of the librarian in reaching this goal have become so extensive that schools of library science have begun to extend their master's programs from one to two years.

Consider the services and operations now being faced every day in the medical library requiring skills beyond the traditional ones:

A. In services to the public:

1) The considerable expertise required to access more than 100 different computerized data bases, all requiring initial and periodic update training--MEDLINE and its ten or more associated data bases, BIOSIS, Excerpta Medica, Psychological Abstracts, and many others.

2) The teaching skills necessary for sophisticated approaches toward educating the library user to effectively mine the library's resources.

3) The wide knowledge required to provide effective audiovisual services, which are increasingly a necessary piece of the curricula of health schools.

4) The innovations involved in delivering computer-assisted instruction, now commonly found in the curricula.

B. In library administration at all levels, serving as backup to the public services:

1) Knowledge of automated processes sufficient to plan and operate in-house projects such as automated circulation systems, serials control, acquisitions and cataloging procedures, increasingly complicated library financial management, and the administration of accessing national online cataloging data banks.

2) Development of expertise in such sciences as operations research and systems analysis, in order to plan and execute effective research and development efforts to improve methods of delivering health information.

3) Knowledge of good management practices in all areas of library administration, including the effective use of statistical reporting techniques.

From the beginning of the Medical Library Assistance Act in 1965 through 1974, when the medical library training portion of the Act was phased out, 516 library trainees were supported. As a result, the need for trained medical librarians by 1974 had become somewhat alleviated. At this same time, however, many advanced technological changes began to have a marked effect on medical library operations.

In the short five years since the phasing out of training sponsored under the Act, the specialized training need has become acute, in spite of impressive gains at various levels of training now conducted by the Medical Library Association and schools of library science, as well as training funded federally:

1) The Medical Library Association in 1978 alone trained 2856 librarians in 59 different continuing education courses; in 1964 only 198 were trained in 2 courses.
2) At least one library course is now taught in 47 of the 67 library schools accredited by the American Library Association; in 1965 these courses were taught in only 10 schools.
3) As mentioned earlier, 516 trainees were supported between 1965 and 1974 by Medical Library Assistance Act funds.
4) Currently the National Library of Medicine trains about 200 librarians annually on the use of MEDLINE, a computerized reference service which did not even exist until 1972.
5) A very large number of hospital librarians have been trained through the regional medical library network, the regional medical programs, and the Area Health Education Centers.

But these significant efforts are still not sufficient to meet our specialized training needs. In order for already well-trained librarians to maintain pace with the many technological changes, and to provide needed training at several levels, at least $3 million annually should be available currently for the support of training programs such as these:

1) Library school training for medical librarianship
2) Practicum training in medical libraries in collaboration with schools of library science
3) Postgraduate internships (just one example being the excellent program at the UCLA Biomedical Library from 1963 through 1974)
4) Training for hospital librarians
5) Development of skills in online search techniques

6) The teaching skills necessary for effective user education programs

7) Management of audiovisual services

8) Management training at several levels, including training in research methods

Medical librarians have always been in the vanguard of devising better ways to deliver library services. Their ingenuity and their zeal will falter, however, if their knowledge and skills become insufficient to cope with the requirements of modern librarianship. And no matter how many dollars are put into medical library acquisitions, buildings, and equipment, these resources will be poorly accessed if library personnel are inadequately trained to provide services.

STATEMENT OF LYNN KASNER

My name is Lynn Kasner. I am Regional Coordinator for the New York and New Jersey Regional Medical Library Program, one of eleven such programs that were authorized by the Medical Library Assistance Act in 1965 and most recently renewed for three years in Title II, Part A of Public Law 95-622, the Biomedical Research and Research Training Amendments of 1978. Regional Medical Libraries comprise a national network through which informational materials are made available to the health practitioner, the health researcher, and the student in health sciences programs. It is the only existing national library network and is supported by funds from many sources - Federal and State governments, participating institutions, and users of the system. Since the first Regional Medical Library was established, the number of participating libraries has increased while Federal funds for the Program have remained the same. Additional libraries want to participate and new programs are waiting to be started. The Medical Library Association, therefore, recommends $6 million in supplemental appropriations be allocated in 1979 and that the funding level for 1980 be $16.5 million. Of this, $2 million additional would be for the Regional Medical Library Program in 1979 and a total of $6 million designated for the Program in 1980.

With the cost of health care on the rise, cooperative programs such as the Regional Medical Library Program become even more important. The Program depends on existing strong collections of eleven libraries: the Francis A. Countway Library of Medicine, Harvard University, Boston; The New York Academy of Medicine, New York; the College of Physicians, Philadelphia; the National Library of Medicine, Bethesda; the Shiffman Medical Library, Wayne State University, Detroit; the A.W. Calhoun Medical Library, Emory University, Atlanta; John Crerar Library, Chicago; Library of Medicine, University of Nebraska Medical Center, Omaha; University of Texas Health Science Center, Dallas; University of Washington Health Sciences Library, Seattle; Biomedical Library, Center for the Health Sciences, University of California at Los Angeles. Each library is under contract with the National Library of Medicine to provide and coordinate services in its Region. This keeps cost down and prevents unnecessary duplication of materials.

Exchange of information among libraries, interlibrary loan, has been the dominant Regional Medical Library Service to date. Interlibrary loan enables the practitioner in a rural area to have access to the same resources as the practitioner in a major, urban medical center. The librarian or library manager has a defined means of getting information - a request is sent to a resource library which has the staff and the expertise to track down the item needed. Without this system getting the information needed by the practitioner in the small institution - the physician, the nurse, the pharmacist, the laboratory technician - would be left to chance. It should be pointed out that 46% of the Nation's hospitals are rural with the average number of hospital beds being 116. Currently 2500 hospitals are part of the network but another 4500 have yet to be brought into the system. Additional funds must be made available for expansion because existing funds are insufficient to even meet present demands placed upon the Program.

In New York and New Jersey, as in other Regions, Federal support keeps the network portion of the Program going. Even though 75% of the funds for interlibrary loan come from non-Federal sources, it's the 25% Federal support that keeps information flowing. In 1979,54,330 loans will be supported with Federal monies while 174,495 items will be funded from other sources. The cost sharing aspect is important because it shows a commitment on the part of all participating institutions and agencies and lends a stability to the Program.

Under the Regional Medical Library Program health sciences librarians meet and develop cooperative programs. Hospital libraries have banded together to form consortia and share resources and medical school libraries work on cooperative services. One such project, the Regional Coordination of Biomedical Information Resources or RECBIR, has the major medical libraries in New York and New Jersey committed to acquiring certain items that are needed in the Region infrequently. RECBIR began with grant support from the National Library of Medicine and contract support from the Regional Medical Library, but is now self-supporting. Another project in central New Jersey has a hospital library providing information services to personnel in ten area nursing homes. Still other consortia look to the Regional Medical Library for materials they are unable to justify purchasing locally.

Regional Medical Library Program staffs are often quite small. At present, in New York and New Jersey, the Regional Medical Library which serves the largest number of health professionals, there are two full-time professional positions and one and one-half support positions funded. Staff members provide a variety of services in addition to managing the Program's finances. They work with the National Library of Medicine on-line information retrieval system, they consult with individuals setting up new libraries or new library components such as audiovisual services, they advise on appropriate cataloging procedures and offer educational programs for librarians in the Region. Libraries applying for grants also consult the Regional Medical Library and the Regional Medical Library staff officially comment to the National Library of Medicine on grant applications that come from the Region.

While the Regional Medical Library Program is vital to the Nation's health information services, there are many things left undone because funding levels have been inadequate. Demand for interlibrary loan exceeds what the Program can support, there are not enough grant monies available to fund many good projects, there is not enough support to educate administrators in hospitals without libraries about the importance of information services, there are not funds to better establish links with public libraries to provide health information to the consumer, and new programs such as regional reference service remain undeveloped. A supplemental budget appropriation of $6 million for 1979 and a budget appropriation of $16.5 million in 1980 will allow these new Programs to come about.

The existing Regional Medical Library Program provides the framework for provision of information services to health practitioners. This Committee can appropriate the funds needed to carry out these essential services.

Thank you for the opportunity to present testimony. I will be pleased to answer any questions.

STATEMENT OF DR. EUGENE L. HESS, EXECUTIVE DIRECTOR, FEDERATION OF AMERICAN SOCIETIES FOR EXPERIMENTAL BIOLOGY

In his budget message to the Congress President Carter said: "I believe that the Federal Government must lead the way in investing in the Nation's future. Despite necessary overall constraints, this budget continues my policy of providing real growth in Federal support of basic research. Such support is a relatively small fraction of the total budget — $4.6 billion in 1980, but is vital to the future of our Nation. The knowledge created through basic research holds the potential for breakthroughs to the solution of problems we face or will face in such critical areas as agriculture, health, environment, energy, defense, and the overall productivity of our economy. Higher productivity gains in the future, moreover, will make an important contribution to reducing inflation."

The scientific community could cheer the fact that if ever the right statement was made at the right time by the right person, this was it. In one brief paragraph the

President unequivocally stated his policy on basic research and cogently made the case for that policy. No one in the scientific community could have made the case more succinctly or with a fraction of the credibility.

No group was more heartened and reassured by this statement of policy than the 18,000 biomedical research scientists of the six learned Societies comprising the Federation of American Societies for Experimental Biology. Unfortunately, it must also be said, no group has more reason to be dismayed by the discrepancy between stated policy and practice, as exemplified in the budget request for the National Institutes of Health.

It is not clear why NIH has been singled out as an exception to "my policy of providing real growth in Federal support of basic research," but the fact is NIH has been subjected to a substantial slash in support. The President's proposed budget is $54 million, or two percent, less than Congress appropriated for FY 1979, including a proposed rescission of $37 million for a long-requested and much-needed Child Health facility. Add to that two percent an expected 10 percent loss to inflation, and NIH is taking a real-life cut of 12 percent.

The impact of the President's budget goes right to the heart of the biomedical research enterprise: investigator-initiated research and research training.

If the President's budget is permitted to stand:

1. NIH would be able to award in 1980 only 3,062 competing grants compared with 5,666 in 1979, a drop in the award rate for approved investigator-initiated grants from 42 percent in 1979 to 20 percent in 1980.
2. NIH would be required to cut back 2,000, or approximately 20 percent, on the number of National Research Service Awards.

A conservative cost-of-living increase in the NIH budget would go a long way toward changing this depressing picture and maintaining the health of the biomedical research enterprise, created and patiently nurtured by the Congress in the national interest.

The President has echoed a policy on which the Congress has long acted in relation to NIH. Apparently the burden will again be on the Congress to give real meaning to the words.

STATEMENT OF THE AMERICAN SOCIETY FOR MICROBIOLOGY

The American Society for Microbiology is composed of over 30,000 members who contribute to such fields as infectious diseases, recombinant DNA technology, clinical microbiology, and immunology. We are the largest biological/life sciences organization in the world. The new Board of Public and Scientific Affairs of the American Society for Microbiology will direct its concerns to the National Institutes of Health, because all its component institutes have relevance to our membership.

Although we recognize that this is a time of fiscal crisis necessitating budgetary responsibility, it should be noted that the nation's investment in biomedical research and specialized health care delivery was only 2 percent of the total FY 1980 health bill of $160 billion. Any corporate director responsible for such an operation would allocate at least 5 percent for fundamental research or quickly face a noncompetitive status. Research in biomedical sciences has been a most controllable item in the health budgets and has suffered from lack of a broad commitment base. Basic biomedical research has been a persistent victim of what we prefer to call budgetary myopia.

For FY 1980 the President has publicly declared a policy of support for stable and controlled growth for biomedical research; however, his proposed FY 1980 budget for the National Institutes of Health reflects an overall decrease of 2 percent from the FY 1979 appropriation. When you add in 10 percent for inflation, we see an overall decrease of 12 percent, which implies that research programs and personnel will be drastically cut back.

If adopted, the President's budget will decrease investigator-initiated competing grants from 5,666 in 1979 to 3,062 in 1980, with an award rate drop from 42 percent in 1979 to 20 percent in 1980. The number of trainees supported by the National Research Service Act (NRSA) would be cut back by 2,000, or about 20 percent.

It is apparent that the proposed budget for NIH does not provide for controlled growth or stability for biomedical research--in fact, promising projects will be curtailed and the careers of bright young investigators will be disrupted if this budget is passed by Congress.

We have been too anxious in the past to place our money on short-term research gains, in some cases confined to highly specific target areas. We have not adequately funded basic studies on infectious agents or other disease processes, which provide us more useful, less expensive information over the long haul and in turn permit us to respond more effectively to crises. Investigator-initiated basic research in the biomedical sciences is central to progress in medicine and health. Investment in such basic research has paid off for us in the past over and over again.

Biomedical research is a long-term investment that should not be sacrificed in economic hard times. This is especially true since basic research money is deflationary in the sense that science and technology ultimately contribute to more jobs, goods, and productivity. A recent Brookings Institute study showed that advances in knowledge resulting from research were responsible for almost one-half of the U.S. economic growth during the 40-year period ranging from the last 1920s to the late 1960s. In fact, the economy would be stagnant without research.

We urge that research training support be continued for the basic biomedical sciences. It is our opinion that young people will not enter the rigorously demanding field of biomedical research, in which remuneration is markedly less than in many other professions, unless they receive financial support for their training. We recommend that stable support be provided to ensure a manpower pool of highly trained persons to meet the needs of research in the future. This would ensure continued performance of high quality research in the biomedical sciences.

The Board of Public and Scientific Affairs of the American Society for Microbiology recommends that $250 million be added to the Administration's 1980 budget for investigator-initiated research grants. With this recommendation, the 90 percent payline in 1980 should average 210 to 220, down somewhat from the 1976, 1977, and 1978 average of 230, and the competing award rate should average 36 to 38 percent, down somewhat from the 1976 to 1978 three-year average of 41 percent. Furthermore, the great disparities between institutes in paylines and award rates should be lessened, although not eliminated, while providing funds for the best science for the dollars invested. More importantly, the number of competing awards by NIH should stabilize at about 5,800, compared with about 5,700 in 1979, rather than drop to about 3,000 without the increase. These increases are less than desired by the investigators supported by any one of the institutes, but they would avoid the disastrous effect of the Administration's 1980 budget and would permit relative stability for a three-year period by 1983. Since the average research award is for three years, future stability should be possible in subsequent years by adjustments for inflation and programmatic trends.

We also recommend that an additional $30-$35 million be added to the FY 1980 training appropriation for NIH. This is necessary in order to implement the cost-of-living increases for pre- and postdoctoral trainees that were authorized in 1978. It would also cover an increase in stipends and institutional costs from $10,000 to $13,380 for postdoctorals and from $3,900 to $5,504 for predoctorals.

Unless the amount is added, the number of trainee slots will be decreased to meet the mandated cost-of-living increases in FY 1980. The poverty level for a single male not living on a farm in 1978 was $3,390 and for a family of four not living on a farm was $6,660.

The above recommendations are intended to stabilize the national basic biomedical research endeavor by primarily stabilizing the investigator-initiated research grants and training support.

STATEMENT OF EVERETT ANDERSON, PROFESSOR OF ANATOMY AND ASSOCIATE DIRECTOR OF THE LABORATORY OF HUMAN REPRODUCTION AND REPRODUCTIVE BIOLOGY, HARVARD MEDICAL SCHOOL

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity of submitting this statement to you as a citizen in support of the budget of the National Institute of General Medical Sciences. I am Professor of Anatomy and Associate Director of the Laboratory of Human Reproduction and Reproductive Biology at Harvard Medical School. I spend a major portion of my time teaching and investigating the cell biology of the reproductive process.

It is indeed a unique pleasure for me to testify in favor of the National Institute of General Medical Seiences' budget. I do so with the conviction that basic scientific research has no boundaries and the previously mentioned Institute has done a tremendous job in supporting basic research. Congress,in its wisdom, established the National Institutes of Health (NIH). Subsequently we came to know within NIH certain categorical Institutes such as the National Cancer Institute, the National Heart nad Lung Institute and the National Institute of Arthritis, Metabolism and Digestive Diseases to name three. Notwithstanding the lack of a "catchy" title and the implication of instant payoff, the National Institute of General Medical Sciences nonetheless may also be thought of as a categorical Institute,for its mission is the support of research in sciences basic to medicine. It is a primary basic science Institute. In this connection, the Institute supports in addition to the clinical and physiological sciences program (trauma and burns), the following broad basic research areas: (a) Biomedical Engineering, (b) Cellular and Molecular Basis of Disease, and (c) Genetics and Pharmacology-Toxicology. Guiding the aforementioned areas to their individual cutting edges are innovative investigators, who possess the unequaled capacity to frame questions whose answers will help gain access to those medical problems unique to human beings. Therefore, such access is dependent upon a fundamental and a thorough understanding of molecular, cellular, genetic and environmental factors, the study of which is supported by funds obtained from the National Institutes of General Medical Sciences.

Among the above opening statements I indicated that we look to basic science to help us gain access to those medical probelms that are unique to human beings. I am sure that you all have heard (many times) of the curiosity of Alexander Fleming (1929) and the discovery of antibiotics and I need not detail it here again. However, since I have spent a great deal of time studying the biology of cells, I would like to call your attention to a statement mady by the late distinguished cell physiologist, Dr. E. Newton Harvey of Princeton University in the forward to the Davison-Daneilli treatise on membrane permeability. Harvey stated that "It can truly be said of living cells, that by their membranes ye shall know them." Through the support from the Institutes of General Medical Sciences investigators are tremendously busy becoming conversant with the signatures (structure and function) of cell membranes. The basic knowledge gained so far about cell membranes will be indispensable to furture progress. The "future progress" that I have in mind may be illustrated by the following example which is a reflection of a multidisciplinary approach and a further indication that basic science knows no boundaries. The simple model of a squid axon (which to many non-scientists is esoteric but to the scientist is a cellular preparation that is unencumbered by surrounding c[illegible]ical complexities) has attracted the attention of not only cell biologists but also biochemistst, physiologists, biophysicists and neurobiologists. I should emphasize again the squid axon is used as a model system to study cellular properties that are common to brain and heart. I may add that the Institute of General Medical Sciences supports many investigators with individual research grants who have, and contined to, meticulously dissect all aspects of the squid axon. Utilizing the wealth of data collected by a host of investigators, a study was recently carried out on the negative conductance caused by entry of sodium and cesium ions into the potassium channels of squid axons. The results of the investigation prompted the investigators to believe that their finding may help to illuminate the underlying cause, molecular if you will, of the heart arrhythmias seen in cases of digitalis intoxication. It is hopeful that further information on the squid axon can be eventually transferred to the clinical arena.

"....science can only be created by those who are thoroughly embued with the aspiration towards truth and understanding." Einstein's (1) statement leads into one of the committed goals of the National Institute of General Medical Sciences, namely that of ensuring a pool of well qualified and highly imaginative biomedical scientists. This is accomplished through their multidisciplinary pre-and postdoctoral training programs. Such training programs pay early dividends since they cancel out the allurement of the trainee to take nonrecommendable shortcuts. The trainee is left to focus his/her energies to achieve excellence. With this excellence, the trainee/graduate is able to proceed with confidence and enter any number of biomedical related fields.

If we are to ensure that the future provides us with representative participation of all of the citizens of the United States of America, the Congressional mandated Minority Access to Research Careers (MARC) Program must be continued. I wholeheartedly support the MARC Program. This elegant program guarantees that an increasing number of individuals of minority groups will have access to biomedical research careers. In acheiving this guarantee, this exciting program provides (1) fellowship to further research and teaching roles of biomedical science educators associated with colleges and universities serving predominantly ethnic minority students, (2) provides funds (on a competitive basis) to help colleges and universities to bring renowned scholars to their campuses through the Visiting Scientist Award to assist in the ontogeny of science education and research activities, and (3) provides funds for the support of MARC Honors Undergraduate Research Training Program. The objectives of the Honors Program are (a) to increase the number of bright young students who can comfortably compete successfully for entry into graduate programs leading to a Ph.D. in biomedical sciences, (b) to assist in developing a strong science curriculum and (c) to stimulate an interest in undergraduate study in the biomedical sciences.

It must be emphasized that progress in basic science depends on the creativity of the scientist and the support of his science by society, for we must look to basic sciences for direction. Research is just as good as ones techniques, techniques bespeak of materials and technology; they are costly. While materials and technology are costly the appropriation of funds is made economical, not in saving them, but in the selection of excellent projects in basic science which the National Institute of General Medical Science does so well. In connection with this, I would like to recommend a total fiscal year 1980 budget for the National Institute of General Medical Science of $345,000,000.

Mr. Chairman, I am indeed grateful for having this opportunity of presenting this testimony to you and your colleagues.

CURRICULUM VITAE

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TRAINING:

Jack Yates High School, Houston, Texas, 1945

Fisk University, Nashville, Tennessee, B.A., 1949 in Zoology

Marine Biological Laboratory, Woods Hole, Massachusetts. Certificate, 1960 (Summer), Invertebrate Zoology

Fisk University, Nashville, Tennessee, M.A., 1951 in Zoology

Harvard University, Boston, Massachusetts, M.A. (Hon.), 1972

State University of Iowa, Iowa City, Iowa, Ph.D., February, 1955 in Zoology

State University of Iowa, Iowa City, Iowa, 1955-56, Postdoctoral research in histology-cytology under the supervision of Dr. H.W. Beams, Professor of Zoology

University of Colorado School of Medicine, Denver, Colorado, 1956-57, Postdoctoral study, gross anatomy under the supervision of Dr. W.E. Sullivan, Former Chairman, Department of Anatomy, University of Wisconsin, and staff of the Department of Anatomy of the University of Colorado School of Medicine

MAJOR RESEARCH INTEREST:

Anatomy; Cytology; Reproductive Biology, (Oogenesis, Fertilization and Early Embryogenesis)

PROFESSIONAL TEACHING AND RESEARCH EXPERIENCE:

Jan. 1, 1972-Present	Professor of Anatomy and Associate Director of the Laboratory of Human Reproduction and Reproductive Biology, Harvard Medical School, Boston, Massachusetts 02115
1961-Feb. 1, 1972	Professor of Zoology, University of Massachusetts, Amherst, Massachusetts 01002
1959-61	Assistant Professor of Zoology, State University of Iowa, Iowa City, Iowa
1957-58	Instructor in Anatomy, Howard University School of Medicine, Washington, D.C.
1958 (Summer)	Resident Research Associate, Argonne National Laboratory, Biological and Medical Division, Argonne, Illinois

MEMBER OF FOLLOWING SOCIETIES, COMMITTEES AND EDITORIAL STAFFS:

1. American Association of Anatomists
2. American Association of Anatomists (Executive Committee. 1973)
3. American Society of Zoologists
4. American Society of Cell Biology
5. Council of the American Society for Cell Biology (1973-1977)
6. Electron Microscopy Society of America
7. Fellow of the American Association for the Advancement of Science
8. Society of Sigma Xi
9. American Men of Science (Listed)
10. Who's Who in the East (Listed)
11. Society for the Study of Reproduction
12. Member of the Corporation of Marine Biological Laboratory, Woods Hole, Mass.
13. Consultant in Embryology course, Marine Biological Laboratory, Woods Hole, Mass.
14. Member of International Society of Developmental Biologists
15. Associate Editor of the Anatomical Record (1974-1978)
16. Associate Editor of the Journal of Experimental Zoology (1969-1973)
17. Associate Editor of Journal of Morphology
18. Associate Editor of Biology of Reproduction (1973-1977)
19. Member of evaluating panel of National Academy of Sciences of NATO Postdoctoral Fellowships in Science (1969-1971)

20. Curriculum Consutant, AIBS Consultant Bureau

21. Consultant, State University of New York, Unversity College, Board of Higher Education

22. Member, Population Research and Training Committee of the Population and Reproduction Grants Branch, Center for Population Research, National Institute of Child Health and Human Development

23. Reviewer for International Journal of Insect Morphology and Embryology

24. Member, Associates of the Marine Biological Laboratory, Woods Hole, Mass.

25. Trustee, Marine Biological Laboratory, Woods Hole, Mass. (elected 1972-1976)

26. Trustee, Jackson Laboratory, Bar Harbor, Maine (elected 1975)

27. American Society for Cell Biology Executive Committee (elected 1976-1978)

28. Chairman of Nominating Committee, American Society for Cell Biology (elected 1976-1978

29. Membership Committed Chairman, American Society of Cell Biology (elected 1976)

30. Member of Reproductive Biology Study Section NICHD, NIH (1978-1982)

31. Elected to Board of Trustees, Marine Biological Laboratory, Woods Hole, Mass. (1978-1982)

32. Membership Committee Society for the Study of Reproduction (1978-)

33. Associate Editor, Gamete Research (1978-)

PUBLICATIONS:

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STATEMENT OF JOHN W. DIECKMAN, PRESIDENT, NATIONAL REYES SYNDROME FOUNDATION

My name is John W. Dieckman. I live at 8293 Homestead Road, Benzonia, Michigan. 49616. I am a parent of a Reye's Syndrome victim, my 11 year old son, John Stewart Elliott, who died on December 12, 1975. I represent several hundred other parents, their relatives and friends, who have joined together, from 45 states, as a parent group and formed the National Reye's Syndrome Foundation, chartered it in Michigan and received IRS tax exemption.

Mr. Chairman, I have several documents that I would like to submit as part of the record of these proceedings; (1) copy of the Foundation's latest pamphlet on Reye's Syndrome (RS), (2) copies of two of the Center for Disease Control weekly "Morbidity and Mortality Weekly Report" stating information on reported cases only, (3) copy of the Foundation's reprint of the FDA Drug Bulletin of November-December 1976 on RS and antiemetics, (4) copy of the Foundation's February, 1979 newsletter and, (5) a most important and enlightening copy of an exchange of correspondence between myself and Dr. William S. Jordan of the National Institute of Allergy & Infectious Diseases regarding the problem of Reye's Syndrome and its relationships to Influenza B and now, Influenza A. I believe that this information can provide you an insight into this insidious killer of children and young people much more rapidly than a long multi-page disertation.

Briefly, some additional facts regarding Reye's Syndrome (RS) are:

(1) RS is a killer of children and young people. The national average mortality is approximately 40% and depending upong attack severity may go as high as 70%.

(2) The Center for Disease Control believes that RS is not rare and is one of the most common complications of viral diseases in Children.

(3) The Federal Food & Drug Administration now states that some

observers believe that RS is one of the top ten killers of children, age 1 through 10. It also states that it no longer is considered a "rare" disease since milder cases are now being diagnosed.

(4) Eight to ten times as many child die each year from RS as died from the "Legionnaires Disease". PBB has not killed anyone yet in Michigan yet the investment in epidemiological investigation and political activity for these two problems was and is astronomical when compared to that for Reye's Syndrome (RS).

(5) Reye's Syndrome (RS) has been in known existance since 1925 when Doctor's Charles Brown and Douglas Symners performed autopsies on children who had died of symptoms now attributed to RS. They published a paper on their findings about this unknown illness and called for "further inquiry" into its nature and cause. Since 1925, from a practical standpoint, nothing.

(6) Reye's Syndrome (RS) is not a mandatory reportable disease, in the majority of the states therefor there are no really satisfactory figures on incidence other than those from a small group of states requiring reporting and that voluntarily reported by a small group of knowledgeable physicians and medical centers.

(7) The National Institutes of Health, in the ensuing 53 years have not expended any large sums of money on research efforts specifically directed at RS in the areas of treatment, cause and prevention. In fairness it must be stated that this position is beginning to be altered. During this period millions of dollars have been spent on other diseases, and rightfully so, but total ignoring of a long standing national health problem cannot be excused or overlooked any longer.

The list of facts and non-action regarding Reye's Syndrome (RS) is endless. Efforts are under way, by actions of this Foundation, to bring medical institutions together from across the country to consider and embark upon a national, collaborative, multi-center study of Reye's Syndrome (RS), but funding is the problem. A point in time, approximately one year hence, will come when this group submits a grant application to the NIH for funding of the project. Hopefully it will be approved and funded. Benign neglect on the part of the medical profession, our Federal government health agencies charged with health surveillance and protection, state health agencies who also have not recognized or responded and last, but certainly not least we, the parents of Reye's Syndrome (RS) patients and victims, has been the culprit in combating this national health problem. As parents we simply have not raised our voices loud enough and long enough to our leadership. We do so now!

Mr. Chairman, this committee's involvment is nneded to break the stumbling block regarding Reye's Syndrome. Our country needs an aggressive, positive attitude on the part of the Federal health agencies, not a passive one. It is not a question of more taxation to increase the budget for funding availability but rather a revision of funding priorities, and improvement of the budgets of those Institutes at NIH who are directly involved with this problem; (1) The National Institute of Neurological & Communicative Disorders & Stroke, (2) The National Institute of Allergy & Infectious Diseases, (3) The National Institute of Liver and Metabolism, (4) The Center for Disease Control in Atlanta, Georgia. Further, it would be of great value if the Committee could issue in its findings a statement of concern regarding our national efforts towards Reye's Syndrome (RS) and express its' desire to see a greater effort occur on the part of the National Institutes of Health, the Center for Disease Control and other agencies in the Public Health Service in combating this national health problem.

Parents of Reye's Syndrome (RS) patients and victims are not your adversaries but are constituients who want to work with you in order that together we can control and eradicate Reye's Syndrome for future generations of children and young people.

Thank you Mr. Chairman for the time to present our views to this committee. I can assure you it is most appreciated. If there are any questions I would be most happy to attempt to answer them.

Reye Syndrome — United States

Since December 1978, 159 cases of Reye syndrome have been reported to CDC (*1-3*), including 6 clusters in areas with concurrent widespread influenza A activity. Eighteen deaths have been reported in 98 patients where the outcome is known.

Utah: Four children from the Salt Lake City area were hospitalized with Reye syndrome in a 2-week period in early December. One Reye syndrome patient had a 4-fold rise in hemagglutination inhibition (HI) antibody titer to influenza A (H1N1), and a second had a single convalescent titer of 1:64; serologic results are pending on 2 patients.

Arizona: Eight patients with Reye syndrome, 6 from the Phoenix area, were hospitalized in a 5-day period in mid-December. In 4 patients evidence of recent influenza A infection was demonstrated by a 4-fold rise in HI titers; in 2 patients single HI titers ≥128 were demonstrated. Two deaths occurred, both in 12-year-old females.

Colorado: Sixteen cases of Reye syndrome, including 3 deaths, have been confirmed. Fifteen of these cases occurred during the 6-week period from mid-December through January. Nine had a 4-fold rise in HI antibody titers to influenza A (H1N1). Laboratory results are pending on additional cases.

Michigan: Thirty-two cases have been confirmed since January 27. Most of these cases are from the southeastern section of the state, where influenza activity has been reported. Influenza A (H1N1) has been isolated from the nasopharyngeal swab of a 20-month-old boy with Reye syndrome. There have been 3 deaths.

Ohio: Since the beginning of December, 19 cases have been reported, 14 with onset in February. These 14 cases occurred in a 3-county area in northwestern Ohio that borders the area in Michigan where most of the cases of Reye syndrome have occurred.

Minnesota: Seven cases of Reye syndrome following respiratory prodromes and 1 following chicken pox were reported in a 10-day period in January; 6 were residents of the Twin Cities area, where increased influenza activity was concurrently reported. Two 10-year-old boys died.

Georgia: Since January 1, 14 cases of Reye syndrome have been reported, including a cluster of 6 cases from the northwestern portion of the state and 4 (1 following chicken pox) from 1 county in southern Georgia. Two patients had a 4-fold rise to influenza A (H1N1), and 1 patient had a single convalescent titer of 1:128. Four deaths were reported.

Oklahoma: Nine cases have been reported since mid-January, 6 following influenza-like prodromes and 3 following chicken pox. Seven are from the Tulsa area, where influenza activity was also reported. The ages of these patients ranged from 7 to 15 years. 1 death has been reported in a 12-year-old boy.

Investigations of these clusters are continuing.

Reye Syndrome — Continued

Reported by T Fukushima, MD, State Epidemiologist, Utah State Dept of Social Services; A Kelter, MD, State Epidemiologist, W Stromberg, MA, Arizona State Dept of Health Services; T Edell, MD, Acting State Epidemiologist, N Halsey, MD, G Meiklejohn, MD, Colorado State Dept of Health; NS Hayner, MD, State Epidemiologist, Michigan State Dept of Public Health; TJ Halpin, MD, State Epidemiologist, F Holtzhauer, BS, Ohio State Dept of Health; A Dean, MD, State Epidemiologist, M Osterholm, MS, J Washburn, BA, Minnesota State Dept of Health; JE McCroan, PhD, State Epidemiologist, D Smith, Georgia Dept of Human Resources; S Fennell, MD, MA Roberts, MPH, Acting State Epidemiologist, Oklahoma State Dept of Health; Bur of State Services, Bur of Laboratories, Enteric and Neurotropic Viral Diseases Br, Viral Diseases Div, Bur of Epidemiology, CDC.

Editorial Note: The clusters which have been reported suggest a temporal and geographic association with influenza A (H1N1) activity. Laboratory data now available from patients in 4 clusters (Arizona, Utah, Colorado, and Georgia) demonstrate evidence of recent infection with influenza A. Continued surveillance and investigation of clusters during this period of influenza A activity are needed to determine the extent of this association.

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CENTER FOR DISEASE CONTROL
MMWR
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Current Trends

Reye Syndrome – United States

During the period December 1, 1976-November 30, 1977, 425 suspect cases of Reye syndrome were reported in the United States.

Cases were reported from 43 states and the District of Columbia. Preliminary analysis is based largely on 248 case investigation forms returned to CDC. As in 1973-74, occurrence of Reye syndrome paralleled reported isolations of influenza B (Figure 1). Males were affected more frequently than females (56% and 44%, respectively). Ninety-three percent of children were white, 6% black, 1% Native American, and less than 1% oriental. Children of all ages were affected (range 1 month – 23 years), with a median age of 8, a modal age of 7, and a mean age of 8. Two patients 23 years of age were reported, one with influenza B virus isolated from muscle tissue at autopsy. Persons over 14 years of age accounted for only 4% of cases.

Thirty-eight percent of patients died, 11% survived with neurologic sequellae, and 51% survived without recognized complications.

Reported by Enteric and Neurotropic Viral Diseases Br, Viral Diseases Div, Bur of Epidemiology, CDC.

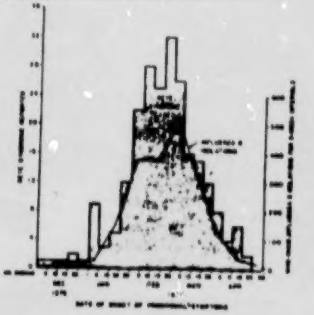

FIGURE 1. Weekly Reye syndrome reports to CDC and biweekly WHO-NIAID reports of influenza B isolations, December 1, 1976-April 30, 1977

Editorial Note: The 1977 nationwide outbreak appears to be of similar magnitude to one in 1973-74, when 379 cases were documented from December 15, 1973, to June 30, 1974 (*1*). The 1977 case total is not considered final, however, since 1977 cases are still being reported. The 1973-74 outbreak was also temporally and geographically related to influenza B activity. Other similar features include the predominance of Caucasian children, rarity of disease in persons over age 16, and high case fatality ratio.

Reye Syndrome – Continued

It is difficult to estimate the actual number of cases of Reye syndrome because of incomplete reporting, difficulties encountered in diagnosing milder cases, and the probable existence of subclinical disease. A recent comparison of cases reported to CDC with cases reported to the National Reye's Syndrome Foundation suggests that disease may be considerably under reported. However, reporting bias may result in falsely elevated estimates of the case fatality ratio.

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NATIONAL REYE'S SYNDROME FOUNDATION
8293 Homestead Road · Benzonia, Michigan 49616

REYE'S SYNDROME: ETIOLOGY UNCERTAIN BUT AVOID ANTIEMETICS IN CHILDREN

Reye's Syndrome (RS) is now considered by some observers to be among the 10 major causes of death in children aged 1 to 10 years. It was previously considered rare, but the number of cases recognized has increased and milder forms are now also detected.[1,2]

RS is an acute encephalopathy of childhood accompanied by visceral fatty degeneration. The clinical history is generally one of mild prodromal illness followed in 3-6 days by sudden onset of vomiting and CNS disturbance. The age range is from 2 months to adolescence; both males and females are affected.

In one group of 21 patients (5 months to 8½ years of age), only 4 survived. In another series of 16 cases (31% over 10 years of age), 14 were fatal. Currently available therapies are not likely to result in better than 50% survival.[4]

The abrupt clinical picture has suggested a toxic etiology. It has been postulated that chemical toxins in combination with viral infection and genetic predisposition possibly may be involved in production of the syndrome. Concern has been expressed over the possible role of common medications in therapeutic dosage, and suspect drugs have included antiemetics, antipyretics (aspirin and acetaminophen), and antibiotics. This concern has been heightened because of the demonstration that drugs such as acetaminophen can, during the course of their metabolism, yield metabolites which are capable of causing hepatic cell damage.[3,4]

The Center for Disease Control has conducted a surveillance of RS over the past decade. As a result of its studies, the Center now considers influenza B and varicella virus to be the most important etiological factors.

To examine the possibility that drug therapy may also be involved, FDA's Neurologic Drugs Advisory Council in conjunction with a number of outside consultants, recently reviewed available data. The Council has concluded that present evidence is insufficient to show that antiemetics, aspirin, and acetaminophen are clearly causally related to RS, although this possibility cannot be eliminated. In view of this, the Council expressed concern about the widespread use of these drugs, particularly antiemetics, such as phenothiazines and trimethobenzamide (Tigan), for minor indications in children. The Council recommended against the use of antiemetics, aspirin, and acetaminophen in children whose signs and symptoms (sudden onset of vomiting with CNS disturbance) suggest RS for the following reasons: (1) the possibility remains, although unproven, that these drugs adversely affect the course of the disease, and (2) the extrapyramidal signs caused by antiemetics may be confused with the CNS involvement in RS.

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NATIONAL OFFICERS
JOHN DIECKMAN, President · JAMES CRANFORD, Vice-President · LOU PETTINE, Vice-President

VOLUME 2 NO. 1 FEBRUARY 1979

NATIONAL REYE'S SYNDROME FOUNDATION

8293 Homestead Road Benzonia, Michigan 49616

MESSAGE FROM THE PRESIDENT

To the members and friends of the NRSF I wish to extend best wishes for the New Year from the Board of Directors and myself.

Trial, pain and tragedy have visited many of you and made 1978 a very difficult year. Hopefully 1979 will be better.

During 1978 your Foundation was active in many areas:

- Testimony given at several conferences at the National Institutes of Health· Sponsorship and participation in an International Conference on RS in Halifax, N.S., Canada;
- Instrumental in obtaining the funding for the six state (Great Lakes area) Working Conference on RS; Foundation members directly responsible for a 100% increase in states reporting RS from four to eight which are - New York, Arkansas, Maryland, Connecticut, Michigan, Massachusetts, North Carolina and Colorado;
- Formalization of the newsletter and the commencement of mailing same to Federal legislators and State Public Health Departments; Continued and renewed effort to formulate and introduce a program for a multi-center, national collaborative study of RS. Several major medical centers are working in this direction;
- Commenced attendance at the National PTA Convention in Atlanta and several state PTA Conventions. A very efficient way of dispensing material and creating awareness; Joined the International Year of the Child (IYC) through the U.S. United Nations Committee and embarked upon a program of national, professional awareness;
- Expanded contacts with parents and formal organization in the midwest, west central and southeastern parts of the country as well as the Far East through [illegible] International Representative C.R. Christensen;
- Supported a research project in Michigan directed at a ten year retrospective study of RS in that state. Results of that study to be published early this year;
- Established, finally, a logo simple in its appearance but with instant impact;

There are many incidents and actions by members that are not touched upon here. What has been stated should indicate to you the large scope of our effort. It is conducted on many fronts, at once. Basically however, we are still in a stage of organization. We are still earnestly endeavoring to contact parents but are continually hampered by the Right to Privacy laws which curtail Doctors, Hospitals and Health Departments from evening contacting parents for us, indirectly. All our efforts are being done on a very limited budget. However, for 1979, your Executive Committee has adopted a more positive and energetic approach, reflected in the budget for fiscal 1979 Optimism abounds that we are on the verge of many positive happenings both medically and in recognition of the Foundation. Your continued support is needed. Please help with your advice, suggestions, letters, physical participation, prayers and money. If you have questions please do not hesitate to write or call me.

Very sincerely,
John W. Dieckman

Congress appropriates $205 million dollars for National Institute of Neurological and Communicative Disorders and Stroke.

Congress has appropriated $205 million to the NINCDS, an increase of $25 million over last year's allotment.

The $205 million figure was arrived at in a special joint House/Senate committee assigned the responsibility of resolving the budgetary differences between a House recommendation of a $225 million allocation for NINCDS and a Senate recommendation of $185 million.

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Credit for the NINCDS budget increase can, in part, be directed to the NRSF whose members and officers have worked tirelessly and with dedication, at home and on the road, writing letters to Congressmen and Health Officials and also knocking on their doors.

Keep the letters going to these persons and get your relatives and friends to do the same.

Information received from NINCDS in early December, 1978 sets forth some 22 projects related directly or indirectly to RS. The dollar values assigned to these projects total $935,000. A significant increase, from previous years, at this one institute.

NRSF CONSIDERS BEING MEMBER OF NATIONAL RESEARCH COMMITTEE

On October 5, 1978, at the Mayflower Hotel, Washington, D.C. representatives from nineteen volunteer health agencies and twelve professional societies reviewed and approved articles of incorporation, by-laws for a newly constituted National Committee for Research in Neurological and Communicative Disorders and Strokes. This Committee is in fact a group of various health volunteer agencies which will combine together to solicit the talent and resources of those members to target areas of concern in the National Institute for Neurological and Communicative Disorders and Stroke NINCDS. The purposes under the articles of incorporation are as follows:

(1) That the NCR will represent the one common effort by all member organization to review and recommend on Federal funding for NCD research concentrating here on the annual federal allocation for NINCDS and
(2) and that this common effort will reinforce and not distract members from the petitioning work done by individual volunteer organizations and professional societies on behalf of their own primary health and research concerns. The NRSF Board feels that this is very important step as presently in the U.S. 90% of all research funding is derived from the Federal government, particularly the National Institutes for Health. NRSF Board feels this is an excellent opportunity to bring to the attention of those individuals on the health scene facts relative to RS so that a critical area of concern can receive a higher priority and testimony that will be received by various health, congressional and senate committees and will have the appropriate attention.

NIH Awards RS Research Grants

This Foundation was most satisfied to receive a letter dated November 28, 1978 from the office of the Health Administratior of Neurological Disorders Program, Washington D.C. This letter related that during the period Sept. 1978 through the next twelve months 3 RS projects were administratorily approved for funding for over $400,000. This report obviously demonstrates NIH has begun to be aware of the tremendous need to answer many of the problems surrounding RS. RS is competing with many devastating health problems and it is so important that continued support in developing a high priorty for RS is established across the health agency field. This Foundation has taken the approach that NIH and other agencies will respond to the critical need to improve on RS funding and we believe that so long as continued pursuit is established then the RS problem will receive a fair share of the dollar. As these figures are encouraging, compared to those previously reported during recent years, it does not signify the proportion of the monies that should be derived for a problem which is afflicting more and more of our youngsters.

RS Workshop Held for Midwest States at Ann Arbor, Michigan

This Foundation was instrumental in obtaining the support for a workshop on Reye's Syndrome which was held at Ann Arbor, Michigan, November 1 and 2, 1978. This workshop which was attended by Federal Health officials, Canadian representatives and Midwestern area states to focus in on the problems of dealing with RS. This workshop was a first of such an approach on the RS problem and was felt by the majority in attendance to be a successful large step towards coordinating the efforts of state health agencies, hospitals and others involved with the RS problem. It was the opinion of those participants that this conference should be repeated in various areas of the U.S. and continued so a direct line of communication

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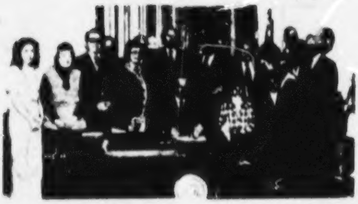
can be established between various agencies and individuals who are dealing with many aspects of RS. The second day of this conference was keynoted by a task force which was derived from four separate groups which targeted four problem areas. These "task force groups" were felt to be an overwhelming success in having individuals from various areas in the health care process addressing their expertise towards handling RS problem areas. In addition, it was the opinion of most of the participants that this workshop should be published so those who did not participate could benefit from the knowledge exchanged and highlights which were agreed upon to be essential.

Testimony Before NIH Public Forum

On October 3, 1978, the Foundation was represented by V. P. Crawford, and Pres. Deickman on the HEW public forum at Bethesda, Maryland. This forum addressed by Secretary of HEW, Joseph Califano, as a means to have those volunteer health agencies testify so as to address problems of National scope which should be focused on as critical health areas. The conference was underlined by 1979 as the International Year of the Child, and efforts should be focused on those entities which are so devastating to our youth. NRSF feels that with these priorities, obviously the RS problem should receive its fair share of attention as being one of the health areas that should receive proper attention.

MEMBERSHIP DRIVE

You will be receiving a membership card for renewal of your annual membership. If you are not currently a member of the N. R. S. F. and would like to join, simply fill out the membership card and return it with your check, made payable to the National Reye's Syndrome Foundation.



FROM LEFT TO RIGHT DIANA DIECKMAN, DORIS DIECKMAN, JOHN DIECKMAN, CHARLES YEATES, *State Representative* CONNIE BINSFELD, DENNIS PARADIS (*behind Ms. Binsfeld*) *Governor* WILLIAM G. MILLIKEN (*seated*), TOM ENNIS (*behind governor*) *State Representative* RAY HOOD (*chairman of the House Public Health Committee*), MICHAEL McCARTHY (*behind Hood*), MICHAEL BOYLE, DR. ISBISTER (*Michigan Department of Public Health*), TERRY BOYLE, KATHRYN BOYLE (*grandmother*), SANDRA BOYLE (*mother of Michael & Terry*), GARY BUNTING (*next to flag*), lady on Binsfeld staff, DR. JOSEPH BAUBLIS and gentleman from Binsfeld staff.

PICTURE TAKEN ON DECEMBER 6, 1978
IN THE OFFICE OF THE GOVERNOR.

RS Now Reportable In Michigan

On December 6, 1978 members of the Foundation were invited to the office of Governor William G. Milliken of Michigan for a bill signing ceremony directly involving the reportability of RS. The law known as "The Critical Health Problems Reporting Act" was sponsored by State Representative Connie Dinsfeld and supported by State Representative Ray Hood, Chairman of the House Public Health Committee. The entire procedure for passing the act was a bi-partisian effort and there were no dissenting votes in either the Michigan House or Senate. It was a proud day for Michigan parents when Governor Milliken, an honoray trustee of the National Foundation, signed the bill in his office. In addition the Governor included in his budget message to the Legislature approximately $100,000 to fund an office for surveillance of RS and other critical health problems. If you would like a copy of the Michigan legislation please write to the Following:

Representative Connie Binsfeld
Michigan House of Representatives
Capitol Building
Lansing, Michigan 48909

RS Waiting on National PTA Action

By letter dated October 10, 1978, the National PTA advised the foundation of their efforts in attempting to impliment a resolution on RS which should include a minimum of the following:

(1) a system for the mandatory reporting of the incidence of RS
(2) a system for the collection of epidemological data specific for RS
(3) periodic reports containing the findings of data, analysis, and research activities for RS
(4) grants and research contracts to institutions of higher learning to study RS; and
(5) methods to educate physicians regarding the detection and treatment of RS.

The committee met on June 7, 1978 in a pre-convention meeting and a motion was made after considerable discussions to autorize the chairman to discuss the Reye's Syndrome Resolutions with the chairman of the Resolutions Committee towards an appropriate method of developing public awareness about RS. Whether to further advise the task force of the health and welfare commission has been appointed as developing strategy for the implimentation of such a program. The first step presently under way is to bring attention to the issues through our publications and to develop an awareness program to inform and educate PTA members about the RS threat. Obviously NRSF is most pleased to have the continued cooperation and efforts that are under way to have PTA support particularly in regards to educational programs involving RS. If you desire to support these efforts, contact your local PTA organization or your State PTA offices for a petition going in your state for the support of these resolutions.

PTA Educational Booths on RS at N.Y. State Convention

On November 3 and 4th, parents Dick and Doris Flaville and daughter, Laurie of Dryden, New York and Ray and Sue Vanderbush of Walton, New York, participated in a booth at the New York State PTA Convention at Syracuse, New York. This booth was an over-whelming success with an invitation from other local agencies to participate in education programs in the area.

NAT'L REYE'S SYNDROME FOUND.

NRSF at Ohio State PTA Convention in Columbus

The Ohio State PTA meeting in Columbus covered three days in October, the 22nd, 23rd, and 24th. Over 1,000 persons were in attendance and our representative, John W. Dieckman, distributed over 2,800 pieces of material. Ohio is third in the United States, next only to Michigan and Florida, for incidence level of Rs. Yet, the vast majority of persons at this convention had not heard of RS. Excellent professional effort is being made in Ohio at Columbus (Dr. John Partin). Parents groups are working with both Children's Hospitals in these cities. Parents in

continued page 5

the greater Cleveland area are beginning to get together under the perserverance of Mr. and Mrs. Nick Fotos. Governor James Rhodes was appraised of RS and the Foundation when Mr. Dieckman was able to have approximately 15 minutes with the Governor and members of his staff. Material on RS. and the Foundation was left with the Governor.

Regional Activities
Rocky Mountain Region

Christmas Candle Program a large Success. President Bill Schawo advises the Christmas Card sales will be an annual project. During January the Region will have a booth at the National Western Stock Show and expects in excess of 100,000. People passing the booth. The region has a T.V. Video tape depicting RS which is available for use by contacting the Region at

National Reye's Syndrome Foundation
Rocky Mountain Region
P.O. Box 7925
Colorado Springs, Colorado 80933

NEW ENGLAND

Bill Caldwell, president of the Region, advises that the Mass. State Federation of Women's Clubs, Junior Membership will promote RS on a major emphasis cases through their Home Life Dept. for the period 1978-80. We welcome their valued assistance. President Caldwell also participated at the Federations annual convention held last fall Turner's Falls, Mass. NRSF parents, Mr. and Mrs. Carl Razzi[illegible]oni of Somerville, Mass. again conducted a very successful yard sale. The Region is working on plans to sponsor, in the spring, a Magic Show. In addition the Region has taken on the first major involvement of the National IYC project.

Executive Committee Meeting

Meeting in Ann Harbor on November 2nd, following the Working Conference, the Committee invited two additional Regional Presidents to participate. President Bill Schawo of the Rocky Mountain Region and Mike McCarthy of Michigan expressed their opinions as directions the National Foundation should pursue as well as reporting on activities in their respective regions.

New Advisors for the N.R.S.F.

The Foundation is pleased to announce the addition of the following new advisors:

Virgil B. Hill as Legal Affairs Advisor
Mr. and Mrs. Hill of Ballwin, Missouri, lost their nine-year-old daughter, Victoria Beth, to RS in 1977. They have two other children, Steve, 15, and Jennifer, 8. Mr. Hill is employed as an attorney for the Ralston-Purina Company and his wife, Joan, is an elementary school teacher.

Tom Ennis as Special Affairs Advisor
Mr. and Mrs. Ennis of Lansing, Michigan, lost their fourteen-year-old son, Bobby, in 1977. Tom is the Executive Director of the Tri-County Health Department, head-quartered in Lansing.

Raymel Associates as Accountants.
Raymel Associates of Westwood, Massachusetts are specialists in accounting and financial systems.

PARENTS SECTION

If you would like to have other Reye's Syndrome parents communicate with you to exchange information, write and give the N. R. S. F. permission to publish your name and address in subsequent newsletters.

Parents interested in corresponding:

Mr. and Mrs. Andy Happenny
33 School Street
Albion, Rhode Island 02802

THE BIG QUESTION

How Many Cases Are There

The National Reye's Syndrome Foundation of Michigan does not know! But then, neither does the Center for Disease Control in Atlanta, Georgia, the nation's epidemiological watchdog. Nor do any of the numerous state health departments know, even within their own states.

The figures indicated below cannot be proved nor disproved. They are set forth in an attempt to stimulate thought regarding the incidence of Reye's Syndrome. At this point in the country's knowledge about RS, WHO CAN SAY THEY ARE ON EITHER THE HIGH OR LOW SIDE:

1976 Projected population from CBS News Almanac.

1) Under 5 years of age - 15,545,000
2) 5 thru 9 years of age - 17,356,000
3) 10 thru 14 years of age - 19,810,000
4) 15 thru 19 years of age - 21,199,000

Total - 73,910,000

Illness Exposure (NRSF Estimate)	Exposed
LIGHT - 1/28 of population or 3.6%	2,660,760
NORMAL - 1/14 of population or 7.1%	5,247,610
HEAVY - 1/7 of population or 14.3%	10,569,130
EPIDEMIC - 2/7 of population or 28.6%	21,138,260

Reye's Syndrome Exposure	LIGHT	NORMAL	HEAVY	EPIDEMIC
FLU-B (70% of exposed population**) (1 case in 5000*)	373	735	1480	2959
CHICKEN POX (15% of exposed population**) (1 case in 15000**)	27	52	106	211
ALL OTHER (15% of exposed population**) (1 case in 30000**)	13	26	53	106
TOTAL	413	613	1639	3276

*(CDC offical estimate) **(NRSF estimate)

Whose exposed and results	LIGHT	NORMAL	HEAVY	EPIDEMIC
1) 14 years of age and under - 60%	248	488	983	1966
2) 15 years of age and over - 40%	165	325	656	1310
3) FATALITIES at 50%				
a) 14 years of age and under	124	244	492	983
b) 15 years of age and over	83	163	328	655
TOTAL FATALITIES	207	407	820	1638

This analysis considers ONLY exposure and fatality. It does not begin to consider how many patients recover in a disabled state and in what severity.

Hello

My name is Rex Fotos. I really don't remember what happened the day I got sick, not for the next several weeks. The first 10 days I was in a coma but I came out. After I came out I had to be kept on a respirator for 4 1/2 months.

I also had to have a trahce in my throat which I still have and am doing well with. I am using a plug in it to talk with but hopefully by the beginning of 1979 I will have the trache out. Also when I was in the hospital, there were many Doctors and Nurses in my room most of the time.

Two of the nurses that worked at the hospital when I was sick are now working with me at home. I also have nurses from different nursing agencies. I have to have nursing around the clock and one problem I have with nurses is that some of them don't stay long and I have to get used to new ones, so I am finding out about different nurses almost every month. When I was in the hospital they fed me through a tube that went down my nose, but they finally took it out. But when they did they were worried when I didn't eat much. Also when it was removed they damaged the inside of my nose and it left a polyp which will have to be removed. When I finally came home I was very happy to leave the hospital and to be home. A few of the nurses I liked there but there were many I disliked and I was really sick of the hospital and the food. Now, everytime I have to go to the hospital, it makes me think about that first time.

About 2 months ago I had to have a biopsy of a lymph gland to find out what was wrong with my spleen. I have been taking medicine for the past 7 weeks, it is showing that my spleen is now getting smaller and hurst less. and now they won't have to operate. My parents were a great help when I was in the hospital for they learnedto do things that the nurses did so that when I came home they were able to take care of me the right way. They do as good of a job or better than most of the nurses. I don't know what I would have done without them for those first months when I came out of the coma and found that I was paralyzed from my neck down.

Now, I am starting to get more movements in my arms and hopefully will be walking around some day. I go to the hospital for therepy once or twice a week. While I am there I work on a project and I have finished one other which was a trivet. It took me 3 months to do. My current project is an etching in copper sheet to make a plaque.

* * *

If you are a parent with an RS survivor or child at home that has one or several handicaps, maybe you could write to us with the name of the Medical facility in your area or the "at home" treatments that you use.

This could be helpful to those with the same problem. Also tips that you as a parent might have in helping your child at home.

I am sure that there are a lot of people who would like to know these things, so please write to us.

"the editors"

February 18, 1979

William S. Jordan, M.D.
Director
Microbiology & Infectious Diseases Program
National Institute of Allergy and
  Infectious Diseases
Building 31, Room 7A52
Bethesda, Maryland 20014

Dear Dr. Jordan:

It was good to visit with you briefly on Monday, January 22 at the informational meeting for FY 1980. I was most appreciative of your remarks regarding Reye's Syndrome (RS) during your statement.

Unfortunately, RS has reached epidemic proportions in several areas of the country. Besides the Denver, Colo. area that I mentioned to you, Salt Lake City, Utah and Phoenix, Arizona.

Now, as you may have already heard, Michigan is experiencing an epidemic. As I am sure you also know Influenza A (USSR) preceeded these RS episodes.

This Influenza A activity, of this scale, would appear to be ushering in a new stage in the RS experience. While Flu A has been involved in previous years it has not been on the scale that Flu B has been associated with RS. Now we have a much larger problem scope with this years' Flu A involvement. It forbodes of possible worse episodes to come. Hopefully the Institute will be able to respond to this challenge in the not to far distant future.

Enclosed is a copy of our latest newsletter. If you have opportunity to discuss it with Dr. John LaMontagne I would appreciate your advising him that we are still interested in an article from him, when his time permits. Please keep me posted on the Workshop plans.

Very sincerely,

John W. Dieckman

27 February 1979

Mr. John Dieckman
National Reyes Syndrome Foundation
8293 Homestead Road
Benzonia, MI 49616

Dear Mr. Dieckman:

I am pleased that you found the NIAID program review on January 22 useful. Clearly, the Institute's investigators now have more reason than ever to share your concern about Reyes Syndrome.

Except for a few reports, Reyes Syndrome has not been associated with influenza A, and for this reason we had proposed to focus on influenza B, since this virus differs in other respects from A. With the occurrence of so many cases of RS in recent months as an apparent consequence of H_1N_1 infection, presumably strains related to the A/Brazil/78 variant, one must ask how these A viruses differ from earlier ones. I find it hard to believe that physicians could have missed the occurrence of so many unusual cases in the past even though the syndrome had not been recognized. Why didn't RS occur during or after the first H_1N_1 epidemics, or those due to Asian and Hong Kong viruses? What clues to pathogenesis can be derived from this behavior?

Understandably, the current experience will prompt the government's various advisory committees to review their recommendations regarding immunization of normal children with influenza vaccine.

I have provided copies of your letter to Drs. LaMontagne and Whitescarver, and have passed along the copy of your informative newsletter to the former.

Sincerely,

William S. Jordan, Jr., M.D.
Director
Microbiology and Infectious Diseases
Program
National Institute of Allergy and
Infectious Diseases

STATEMENT OF THE DOWN'S SYNDROME CONGRESS

We appreciate having this opportunity to submit this testimony to the Subcommittee on Labor, Health, Education, and Welfare of the Committee on Appropriations.

We represent a National organization of parents and professionals promoting the welfare of persons with Down's Syndrome. Attached is a Down's Syndrome Fact Sheet with pertinent information about Down's Syndrome, HEW/NIH budgetary considerations, and our goals and purposes.

We wish to emphasize the fact that this year approximately five thousand (5,000) families will experience the unexpected impact of having an infant with Down's Syndrome. Down's Syndrome is a chromosomal disorder affecting all races and classes which is more prevalent than autism, muscular distrophy, and cerebral palsy combined!

A syndrome with such high prevalence and high impact on the individual and society should have generated a significant research effort to meet the 1971 Presidential goal of a fifty percent reduction in the incidence of mental retardation by the end of this century.

We believe that an effective research and service program should encompass:

1. a scientific search for understanding the causes of of nondysjuction,
2. a systematic investigation to uncover the negative effects of increased gene dosage, and
3. a coordinated effort to find effective treatment programs and innovative educational strategies to foster optimal development.

Parents have waited patiently for a sincere committment by the scientific community in the field of Down's syndrome. Parents have waited patiently for investigators, educators, and other professionals to provide appropriate help so that every person with Down's Syndrome can develop his/her fullest potential -- can become as productive and independent as each is able.

On his las day in office, Senator Hubert H. Humphrey (whose granddaughter has Down's Syndrome) stressed in his letter to the Down's Syndrome Congress "I am pleased to know more about this agency dedicated to enhancing the life of thousands of Americans of all ages who suffer from this particular handicap and too frequently from callous and indifferent social attitudes. I congratulate you on your challenging and humanitarian task" and he continued "I am hopeful that the Down's Syndrome Congress can enlist...public support to fulfill its worthwhile goals, and encourage and applaud your efforts to make this a better world for all of us."

Also, President Carter, in his letter to the 1978 Annual Convention of the Down's Syndrome Congress, stated "Your high priority tasks require a large scale effort by leaders in the Down's Syndrome field and the close cooperation of the Federal Government ... Our Nation needs to do more on a planned basis for its six million mentally retarded citizens, many of whom have Down's Syndrome and we must also do more to assist the parents and families of these citizens. All segments of our society will surely benefit from the excellence of your continuing commitment to this goal."

Realizing the need for augmented investigative pursuits in the field of Down's Syndrome, in 1977 members of this able committee, directed the National Institute of Health "to strengthen their research in Down's Syndrome".

In reviewing the HEW budget for recent years, the Board of Directors of the Down's Syndrome Congress has seen little increase in research and development endeavors in the field of Down's Syndrome. Our review of the budget reveals that budget authorities have constantly exceeded estimate outlays indicating that potential research and development dollars have gone unused. We feel that this pool of unused money could be allocated to Down's Syndrome.

The Board of Directors of the Down's Syndrome Congress recommends that HEW prioritize efforts for Down's Syndrome throughout its multiagency/multidisciplinary domain perhaps through the mechanism of a National Center for Down's Syndrome.

An important first step in such prioritization must be the coordination of the Mental Retardation Research Centers, The Research and Training Centers, and the University Affiliated Facillities to provide a national network of regional information centers that would be an information and data brokerage as well as a consulting and referral center that can be used by parents, service personnel, students, educators, scientists, and governmental and private agencies. Such a Center would fill the gap in the National/Regional information process for those concerned with all the developmental disabilities. The Down's Syndrome Congress would then expect that such a Center would provide gathering, storing, retrieval exchange, and dissemination services specific to Down's Syndrome.

We recommend that this committee reassert its 1977 directive by providing adequate appropriations available to HEW "to strengthen their research in Down's Syndrome.

We wish to express our gratitude to the dedicated professionals who have been interested in Down's Syndrome and particularly commend those within the Mental Retardation Branch of NICHD.

Thank you for your attention to this testimony and thank you for joining in our mission to help hundreds of thousands of individuals with Down's Syndrome to get ready for the world and to get the world ready for the full acceptance of the ability and dignity of individuals with Down's Syndrome.

FACTS ABOUT DOWN'S SYNDROME

Every year approximately 5,000 children with Down's Syndrome are born in the United States. Women under 35 years of age bear 80% of these children. Up to 25% of the children with Down's Syndrome are attributed to the father.

Down's Syndrome is caused by an error in cell division resulting in extra chromosomal material for the individual. It is most easily recognizable because these individuals have distinct physical features.

Success in research in Down's Syndrome may well enlarge understanding in basic disease processes contributing knowledge about early cell division and gene dosage effects.

There are approximately 1/4 million families in the United States affected by individuals with Down's Syndrome. Down's Syndrome is as prevalent as cerebral palsy and ten times more prevalent than autism and muscular dystrophy.

Approximately 20% of people in residential institutions for the mentally retarded have Down's Syndrome.

Down's Syndrome is universal, i.e., it is not limited to race, nationality, class, etc. (At least two U.S. Senators have children with Down's Syndrome.)

The majority of children with Down's Syndrome are educable or trainable. They can be productive citizens.

FACTS ABOUT FUNDING FOR DOWN'S SYNDROME

When parents maintain their child with Down's Syndrome at home they save taxpayers $35,000 annually--a total tax savings of $[illegible] billion annually.

$48.5 billion (90.8%) of health care dollars in 1980 budget are for services--only $3.4 billion (6%) are for research.

In the timeframe 1976 to 1980 a $20 billion increase for health was allocated ($18.9 billion for services; $1.1 billion for research).

There was no specific intramural research into Down's Syndrome within NIH in 1976, 77 or FY 1978.

In FY 1978 HEW Appropriations Bill, page 6$, the Senate instructed NIH/NICHD to strengthen its research into Down's Syndrome.

Table 5 (Budget Authority and Outlays by Agency) of the 1980 U.S. Budget in brief indicates HEW failed to obligate $3.288 million in their 1979 estimated outlays. The 1980 estimate is $5.742 million below authority.

FACTS ABOUT DOWN'S SYNDROME CONGRESS .....

- In 1974, the Down's Syndrome Congress was formed as a national organization of parents, professionals, and interested persons to:
    - To advocate for the realization and enhancement of the full spectrum of human and civil rights for persons with Down's Syndrome.
    - To address the social policy issues and conditions that limit the full growth and potential of children and citizens with Down's Syndrome.
    - To encourage research related to Down's Syndrome and quality human services.
    - To advise and aid parents in the solution of their special needs and to coordinate their efforts and activities.
    - To promote the principles of normalization to transform, humanize and dignify all human services upon which persons with Down's Syndrome rely.
    - To develop a better understanding of Down's Syndrome by the public.
    - To promote a more active progressive relationship between the organized families of people with Down's Syndrome.
    - To serve as a clearinghouse for gathering and giving out sound information regarding Down's Syndrome.

- The Down's Syndrome Congress was officially recognized by Senator Hubert Humphrey in December 1977.
- Senator Muriel Humphrey was the National Honorary Chairperson of the Down's Syndrome Congress in 1978.
- President Jimmy Carter in November, 1978 acknowledged the Down's Syndrome Congress' efforts to improve research into Down's Syndrome and urged "close contact" with the President's Committee on Mental Retardation.

STATEMENT OF EDWIN H. LENNETTE, M.D., PH. D., PRESIDENT, AMERICAN SOCIETY FOR MICROBIOLOGY

I greatly appreciate the opportunity to present the views of the American Society for Microbiology on the appropriations for FY 1980 for biomedical research and training supported by NIH. The ASM is composed of over 30,000 members, who contribute to such fields as infectious diseases, recombinant DNA technology, clinical microbiology, and immunology. Our submitted statement will be directed to the National Institutes of Health, because all its component institutes have relevance to our membership, but particularly to the National Institute of Allergy and Infectious Diseases (NIAID) and the National Institute of General Medical Sciences (NIGMS).

Although we recognize that this is a time of fiscal crisis necessitating budgetary responsibility, it should be noted that the nation's investment in biomedical research and specialized health care delivery was only 2 percent of the total FY 1980 health bill of $160 billion. Any corporate director responsible for such an operation would allocate at 5 percent for fundamental research or quickly face a noncompetitive status. Research in biomedical sciences has been a most controllable item in the health budgets and has suffered from lack of a broad commitment base. Basic biomedical research has been a persistent victim of what I prefer to call budgetary myopia.

We have been too anxious in the past to place our money on short-term research gains, in some cases confined to highly specific target areas. We have not adequately funded basic studies on infectious agents or other disease processes, which provide us more useful, less expensive information over the long haul and in turn permit us to respond more effectively to crises. Investigator-initiated basic research in the biomedical sciences in central to progress in medicine and health. Investment in such basic research has paid off for us in the past over and over again.

In his book Biomedical Scientists and Public Policy (Plenum Publishing Corp., 1978), Dr. H. Hugh Fudenberg has provided data on the cost savings that have resulted from basic biomedical research. Overall, he estimates that taxpayers are currently saving $20 to $30 for each dollar spent 5 to 10 years ago on biomedical research. Dr. Fudenberg cites the NIAID as a good example of getting the best return for the taxpayer's dollar. The following are a few of the examples of annual savings he has estimated from research advances in immunology:

- $2 billion from the eradication of polio;
- $180 million from a measles vaccine which results in the prevention of congenital deformations occurring in children born to mothers who contracted the disease during pregnancy;
- $100 million from the identification of the agent responsible for transfusion hepatitis, resulting in the elimination of symptom-free carriers as donors.

Dr. Fudenburg estimates the ratio of dollar savings from past immunological research to the annual allotment for immunology by the NIAID as 100 to 1. This same institute, the NIAID, receives only 5 percent of the total budget, persistently pays the lowest competing award rate, and is slated to receive the largest dollar cut in FY 1980.

By far, the most devastating aspect of the Federal support of basic biomedical research over the past several years has been the cyclic effect of "stop-and-go" funding. Our perception of the consequences of the Administration's 1980 budget for NIH is particularly gloomy. The overall result is that investigator-initiated research grants by NIH are projected to be reduced by $6 million in 1980, according to the Administration's budget. However, the actual effect would be reflected by a devastating reduction at NIH in the competing award rate from 42 percent of approved grants in 1979 to 20 percent in 1980. More important, the 5,700 competing grants funded by NIH in 1979 would drop to only about 3,000 in 1980. Obviously, some mechanism must be found to stabilize a level support in the number of research grants and to equalize to some degree the great disparities which have existed in the past between the various institutes in their various payline figures and percentage of competing grants awarded.

Budget figures alone for 1979 to 1980 would not suggest the projection of such a drastic and devastating effect on investigator-initated research awards, and several factors are responsible for this projection. Although the total NIH budget has remained relatively constant between 1979 and 1980, administrative costs at NIH have increased, especially indirect operations, program management, the Office of the Director, and the intramural programs. Many of these increases are understandable, such as the federal pay raises and increased costs of operation. In addition, the indirect cost increases at both NIH and at universities and research institutes result from many factors, such as increasing rules and regulations governing program evaluations, affirmative action programs, biohazards regulations, management information and data processing, freedom of information, and energy costs. The end result is that with constant funding, such increases must cause decreases in investigator-initated research grants.

We urge that research training support be continued for the basic biomedical sciences. It is our opinion that young people will not enter the rigorously demanding field of biomedical research, in which remuneration is markedly less than in many other professions, unless they receive financial support for their training. We recommend that stable support be provided to ensure a manpower pool of highly trained persons to meet the needs of research in the future. Although the National Research Council's Commission on Human Resources recommended no increase in the number of postdoctoral trainees, we recommend that a stable number of pre- and postdoctoral trainees be maintained to ensure continued performance of high quality research in the biomedical sciences, including microbiology, immunology and infectious diseases.

Therefore, we recommend that an additional $30 to $32 million be added to the FY 1980 training appropriation for NIH. This is necessary in order to implement the cost-of-living increases for pre- and postdoctoral trainees that were authorized in 1978. Unless this amount is added, the number of trainees slots will be decreased to meet the mandated cost-of-living increases in FY 1980. We make this recommendation based on previous testimony by the NIH Director that a cost-of-living increase will be given, thereby reducing the total number of training slots.

RECOMMENDATION

We recommend that $250 million be added to the Administration's 1980 budget for investigator-initiated research grants, based upon the following distribution:

	FY 79	Administration FY 80 (in thousands)	Recommended Increase	Total
NIAID	191,328	190,202	38,000	225,202
NIGMS	277,628	280,378	58,000	338,378
NCI	936,677	936,958	34,600	971,558
NHLBI	506,384	507,344	32,000	539,344
NIDR	65,213	66,118	400	66,518
NIAMDD	302,767	305,746	31,000	336,746
NINCDS	212,365	212,322	19,000	231,322
NICHD	200,843	204,381	25,000	229,381
NEI	105,192	104,528	8,000	115,528
NIEHS	78,260	79,012	4,000	83,012
NIA	56,911	56,510	-	56,510

The above recommendations are intended to stabilize the national basic biomedical research endeavor by primarily stabilizing the investigator-initiated research grants and training support. With this recommendation, the 90 percent payline in 1980 should average 210 to 220, down somewhat from the 1976, 1977, and 1978 average of 230, and the competing award rate should average 36 to 38 percent, down somewhat from the 1976 to 1978 three-year average of 41 percent. Furthermore, the great disparities between institutes in paylines and award rates should be lessened, although not eliminated, while providing funds for the best science for the dollars invested. More importantly, the number of competing awards by NIH should stabilize at about 5,800, compared with about 5,700 in 1979, rather than drop to about 3,000 without the increase. These increases are less than desired by the investigators supported by any one of the institutes, but they would avoid the disastrous effect of the Administration's 1980 budget and would permit relative stability for a three-year period by 1980. Since the average research award is for three years, future stability should be possible in subsequent years by adjustments for inflation and programmatic trends.

Comments in support of NIAID and NIGMS

The NIAID supports research on infectious diseases which are increasingly becoming a burden to our health care delivery system. One-fourth of all physician visits involve microbial infections, and we have been lulled into a false sense of security that antibiotics will cure them. The emergence of multiple antibiotic resistant strains of many bacteria has brought us back to essentially the threshold of the pre-antibiotic era. Investigations of the mechanisms of virus-host cell interactions and on the genetic basis for the emergence of antibiotic resistance must be maintained. We are seeing the emergence of antibiotic-resistant strains of gonorrhea, the most prevalent sexually transmitted disease. This is an ominous development. We do not have effective immunization for either gonorrhea or syphilis. We cannot even grow the causative agent of syphilis in the laboratory. Maintenance of adequate research on the physiology, immunology, and genetics of these agents is essential. In recent years, opportunistic bacteria and yeast have been implicated in the cause of serious illness and death, especially in the compromised patient. Hospital-related infections, or nosocomial infections, are becoming one of the most serious infectious disease problems today. It is estimated that 5 percent of all hospitalized patients acquire nosocomial infections and as a result extend their stay, on the average, by seven days at a cost of $1 billion per year.

The NIAID supports research on many diseases that have a serious impact on society. The momentum of basic research into the genetic, biochemical, and cellular events involved in the penetration of cells by viruses, the replication and release of such viruses, and the role of viruses as the cause of chronic and degenerative disease must be maintained. The search for effective antiviral drugs is pressing. Evidence for genetic determinance for susceptibility to a variety of acute and chronic degenerative diseases stresses the need for more basic knowledge of the immune response genes and the relationship of these genes to the major histocompatibility complex genes. Indeed, the enormity of the problem of asthma and the multitude of allergic diseases and the importance of immunologic mechanisms in these and other diseases make the need for stable funding in these basic research areas most urgent.

Despite these contributions to fiscal savings and the nation's health care, the NIAID receives only 5 percent of the total budget, persistently pays the lowest competing award rate, and is slated to receive the largest dollar cut in FY 1980. Over the past years, the NIAID has suffered from a low percent payline figure, although there has been a gradual improvement from 19 percent in 1976 to 43 percent projected for 1979. However, the FY 1980 budget will reduce the award rate of NIAID to 15 percent. Of greater importance, the number of competing research grants would drop from 518 in 1979 to 182 in 1980.

The National Institute of General Medical Sciences will experience a similar reduction in new awards for competing projects in 1980 if the Administration's budget is approved. The competing award rate for NIGMS would drop from 50 percent in 1979 to 19 percent in 1980. The number of competing research grants would be reduced from 1,118 to 486. NIGMS supports research toward the elucidation of basic disease processes, a mechanism of genetic exchange and genetic disorders, drug action, and biomedical engineering. Knowledge gained from the basic research NIGMS supports is essential to understanding the underlying mechanisms of disease with which all the other institutes are concerned. The implications and possible applications of ongoing basic research are too numerous to mention but are of the utmost significance to the future health of this nation. We therefore recommend that $38 million be added to the Administration's budget for investigator-initiated research grants in NIAID and $58 million be added to the budget for investigator-initiated research grants in NIGMS.

STATEMENT OF THE ENDOCRINE SOCIETY

The Endocrine Society is an organization of over 3,000 scientists and physicians devoted to research in endocrinology--the study of the endocrine glands and the hormones they produce. Briefly stated, hormones are chemical messengers that are secreted internally by endocrine glands and carried to other parts of the body where they modify physiological activity. Hormonal activities are central to both the existence and enjoyment of life.

The interest of the Endocrine Society lies primarily with research supported by the National Institute of Arthritis, Metabolism and Digestive Disease (NIAMDD) and the National Institute of Child Health and Human Development (NICHD). At NICHD, we are concerned principally with the Center for Population Research (CPR), which has the primary responsibility for population research under Title X of the Public Health Service Act.

Population research covers a variety of fields in both the biomedical and behavioral sciences, including development of new contraceptives; evaluation of the safety, reliability and usability of existing methods of fertility control; studies of reproductive processes, which lead to an understanding of infertility and development of the reproductive system; and studies in social and behavioral sciences relating to family planning services, demography and population policy.

The need for, and usefulness of, such research has been demonstrated in many ways. The most striking benefit has been the marked increase in family planning choices available to individuals in all socioeconomic groups through the development of new contraceptives such as the pill and the IUD. But even these developments leave us far short of our goal of providing safe, effective and acceptable methods for fertility control. For some women, current contraceptive technology is either medically unacceptable or incompatible with personal needs or beliefs. Even the most effective methods currently used have unacceptable failure rates in actual use. Thus, even with the best use of current technology there are large numbers of unwanted pregnancies which increase the pressure for abortion. In addition, there is growing apprehension over the long term health consequences of some methods. These considerations lead to the conclusion that there is both a desire and a need for new contraceptive techniques. Among these needs are new methods for men which would allow them to share the family planning responsibilities.

The CPR is the principal source of federal support for contraceptive development and evaluation, including research in natural methods of family planning. CPR is not only concerned with the prevention of unwanted births, but also with the causes of infertility. Research supported by CPR has led to significant advancas that aid barren couples in conceiving children.

NICHD - FY 1979 Supplemental Appropriation

Unfortunately, this extremely important work has been seriously slowed by a fiscal emergency. Because Congress failed to pass legislation to extend Title X until near the end of the 95th Congress, no funds were included in the Fiscal Year 1979 Labor-HEW Appropriations Bill for CPR. In order to provide funds to support alternatives to abortion and research on teenage pregnancy, the Administration had recommended a substantial increase for CPR in the FY 1979 budget, from $61 million to $77.8 million. The failure of the appropriation has left CPR operating throughout the current fiscal year on a continuing resolution at last year's funding levels.

The consequences have been severe. While the rest of NICHD has been able to fund research grants wih priority scores of up to 258 (about the optimum level), CPR has been unable to fund any individual research grant application with scores over 163, and that figure is going down as the year progresses. Stated somewhat differently, last year CPR was able to fund about 40% of individual grant applications. While numbers of applications are about the same this year, only 20% have been funded so that the lack of an appropriation has meant that grant applications submitted by researchers are being funded at one-half last year's rate. Without additional funds, a more severe cut in the number of new grants awarded will be necessary.

Even this reduced level of funding has been achieved only by withholding funds from major ongoing research projects that have the misfortune to be up for renewal at this time. Because of the funding gap produced by this timing error, important projects at the University of Washington, Columbia University, the University of Michigan, Pittsburgh University, the Oregon Primate Center and Case-Western Reserve in Ohio are in jeopardy.

In an effort to correct this error, the Administration has requested an FY 1979 supplemental appropriation of $10.7 million for CPR. These funds are vitally needed. But we urge that the Subcommittee go beyond this recommendation and approve, as a supplemental appropriation, the entire $16.8 million necessary for CPR to reach the funding level of $77.8 million that was originally recommended by the Administration in its FY 1979 budget. This original assessment was to allow for funding of 40% of new grants; this need has in no way diminished in the period since that recommendation was made. These are the funds that almost certainly would have been appropriated had not the necessary authorizing legislation been caught up in last year's legislative logjam. Please do not allow this legislative delay to compromise the Nation's effort to solve our major population problems.

One final point should be made with respect to the supplemental appropriation for CPR. There appears to be some feeling among those involved in the appropriations process that money provided in the latter part of a fiscal year through a supplemental appropriation tends to be spent in a profligate manner because of a lack of time to dispense funds properly. Whatever may be the truth of this belief with respect to other agencies, it is the fact that CPR will have no difficulty in putting funds derived from a supplemental appropriation to good use. The grants which such an appropriation will fund have been screened through the peer review process and have obtained sufficiently high priorities that they would already have been funded, were it not for the appropriations lag previously discussed. The approval process has been completed, and such funds as may be appropriated will be spent in an orderly and prudent fashion.

NICHD - FY 1980 Appropriations

In addition to the supplemental appropriation that is urgently required for CPR for FY 1979, the Endocrine Society supports a level of funding for population research in FY 1980 that is adequate to support this important work. In arriving at an appropriations recommendation for FY 1980, it is important to use as a base the original CPR budget figures recommended by the Administration for FY 1979, rather than the current estimates of CPR spending which, under the continuing resolution, are actually tied to FY 1978 funding levels. Use of the current estimates as a base would only build in the present appropriations lag to the funding history of CPR, and thus perpetuate the shortfall which the supplemental appropriation is intended to remedy.

Operating, then, from an FY 1979 base of $77.8 million, the Endocrine Society urges an FY 1980 appropriation for CPR of $86.6 million, for an increase of $8.8 million, or 11.3%. This figure was arrived at by a careful analysis of the most promising areas for investigation and the number of high quality research grant applications being submitted to CPR. It is our judgment that an appropriation of $86.6 million for CPR would permit funding of applications with priority scores of up to 250 which, as previously stated, is the optimum funding level as well as the level being reached by other programs at NICHD. The principal research areas that would benefit from the recommended increase are contraceptive development, contraceptive evaluation and fertility/infertility studies.

In contraceptive development, current studies would be enhanced that are aimed at regulating female fertility by stimulating the release of a natural hormone, called the luteinizing hormone, from the pituitary gland through the use of synthetic releasing hormones, called hormone analogs. If successful, this methods holds the possibility of avoiding the side effects which accompany use of the pill. The increased appropriation sought would also enable work to go forward in investigating male fertility regulation through a new oral androgen, or male sex hormone, which may be able to be used as a contraceptive without adverse affects on male libido or potency.

These same areas of investigation are of value in studying fertility and infertility, and may lead to methods of overcoming infertility problems. For example, there is evidence that the releasing hormones previously mentioned may be used to help in either stimulating or blocking ovulation.

In the area of contraceptive evaluation, there is a need for expanded research in the long term side effects of using birth control pills, including relationships between pill use and the occurrence of strokes and thrombi, and the combined effects of the pill and smoking, which are of increasing concern to experts in this field.

Follow-up studies also need to be done on recent research with animals which suggests that there is a greater incidence of atherosclerosis in males that have had vastectomies.

These and other studies being supported by CPR have enormous public health significance. The development of safer, more effective, more usable contraceptives is central to family planning programs in this country and throughout the world. It has been amply demonstrated that access to family planning services provides benefits both to society and to the individual, ranging from reduced maternal and infant mortality and morbidity to improve life chances and emotional well being. The Planned Parenthood Federation has documented that one dollar invested by the federal government in family planning services in year one returned in year two a minimum of $1.80--an extraordinary high benefit/cost ratio for any program. And the combination of better contraceptive methods and improved family planning services will diminish reliance on abortions to prevent unwanted births.

The Endocrine Society urges this Subcommittee to adopt the levels of funding recommended herein so that this important work in population research can go forward without further delay. We further endorse the recommendation of the Coalition for Health Funding of $243.1 million for the entire NICHD, as a reasonable and well documented assessment of need.

NIAMDD - FY 1980 Appropriations

Endocrine research is one of the major programs at NIAMDD. Because hormonal function affects so many areas of physiological activity, this research has implications for the study and treatment of a host of conditions and disease entities such as diabetes, cancer, growth disorders, mental retardation, hypertension and atherosclerosis.

Normal growth and development cannot occur in the absence of the necessary hormones. It is remarkable that all the physical differences between the adult male and the adult female are the result of extremely small amounts of testicular or ovarian hormones. When, through an accident of nature, an otherwise normal girl secretes a virilizing quantity of testosterone during fetal and adolescent years, she develops as a man albeit an infertile one. Take away testosterone from a genetic boy during fetal and adolescent life, and you have a sexually immature girl rather than a man. The daily secretion of a few milligrams of testosterone during adolescent life makes the average man considerably stronger, 50 pounds heavier, and considerably taller than the average woman.

An extraordinary new development in neuroendocrinology has been the discovery of substances in the pituitary gland with morphine-like biological activity. They are called endorphins because they are endogenous (originating within the body) and they are like morphine. This discovery opens possibilities of pain relief without harmful side effects.

In order to continue this work, the Endocrine Society recommends an increase in the NIAMDD appropriation devoted to endocrinology of $7.6 million, from the current funding of $31.9 million to a new level of $39.5 million. The current $31.9 million level permits funding of research grant applications only up to a priority score of 200. However, a portion of the money allocated to NIAMDD's diabetes program is used to support diabetes-related research in endocrinology. With these added funds from the diabetes program, grant applications for endocrine research can now be funded up to a priority score of about 220. The increase $7.6 million requested for FY 1980 will allow funding of grant applications up to a score of 250.

The increase we recommend will support expanded endorphin research and will also be used, among other things, for studies in human growth, including production of growth hormones through recombinant DNA techniques, and research in the mechanisms by which hormones regulate cell function.

Inasmuch as funding for the NIAMDD program in endocrinology is closely related to the diabetes program, the Endocrine Society supports the recommendation of the American Diabetes Association for an $12 million increase in the diabetes program, to $80 million. With respect to total NIAMDD budget, we support the recommendation of the Coalition for Health Funding of $362.5 million, as being sufficient to accommodate the desired funding levels in endocrinology and diabetes.

Research Training

The NIH research training program is an important source of funding for training the next generation of researchers. Unfortunately, it is currently a victim of an appropriations gap, much like the population research program, in that necessary authorizing legislation was passed to late in the 95th Congress for appropriations to be made for FY 1979. Thus, the program is operating at FY 1978 levels under the continuing resolution.

The Endocrine Society supports inclusion of funds in an FY 1979 supplemental appropriations bill sufficient to bring the research training program up to the level originally budgeted for FY 1979. The recommendations previously made for

NICHD and NIAMDD also make allowance for continuation of the training program.

Clinical Research Centers

The Clinical Research Centers program (CRC) in the NIH Division of Research Resources is the only support for clinical research facilities. It is an important adjunct to many of the research programs at NIH and provides a vital link in the process of technology transfer, by which knowledge learned in the laboratory can be translated into treatment for patients.

The FY 1980 budget figure of $51,720,000 for this program is woefully inadequate. It represents a reduction of $89,000 from the comparable FY 1979 figures, and in inflation-adjusted dollars, the reduction is significantly greater. Funding for this program has been eroded by inflation over the last decade, and the number of centers has been reduced from 91 in 1968 to 74 in 1978.

The Endocrine Society urges that the Subcommittee reject the Administration's proposed reduction in funding for the CRC program, and that an appropriation of $70 million be provided for this program.

SUMMARY OF RECOMMENDATIONS OF THE ENDOCRINE SOCIETY

1. NICHD -- Center for Population Research
   FY 1979 Supplemental Appropriation: $16.8 million (Increase originally budgeted for FY 1979).
   FY 1980 Appropriation: $86.6 million ($8.8 million increase over amount originally budgeted for FY 1979).

2. NIAMDD -- Endocrinology Program
   FY 1980 Appropriation: $39.5 million ($7.6 million increase over FY 1979).

3. NIAMDD -- Diabetes Program:* $80 ($12.1 million increase over 1979).

4. NIH Division of Research Resources -- CRC program: $70 million ($18 million increase over FY 1979)

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*A portion of the funds allocated to the Diabetes Program is used to support diabetes-related research in endocrinology.

STATEMENT OF THE DELEGATION FOR BASIC BIOMEDICAL RESEARCH

Institutes	$50 Million	$100 Million	$150 Million	$200 Million	$265.5 Million
NCI	936,958	943,357	951,755	960,387	969,958
NHLBI	507,344	510,018	518,029	527,398	539,304
NIDR	66,118	66,118	66,118	66,118	68,118
NIAMDD	305,746	313,844	319,998	327,002	335,746
NINCDS	215,161	220,710	223,506	226,767	230,322
NIAID	205,215	210,649	214,812	218,619	228,202
NIGMS	315,801	325,125	332,769	339,402	347,378
NICHD	205,781	214,178	218,419	223,276	229,381
NEI	106,919	109,789	112,085	113,842	114,308
NIEHS	79,272	80,250	80,973	82,280	81,512
NIA	56,510	56,510	56,510	56,510	56,510
DRR	155,904	156,150	161,724	161,724	169,106
Fogarty	8,989	8,989	8,989	8,989	8,989
NLM	41,431	41,431	41,431	41,431	41,431
OD	21,062	21,062	21,062	21,062	21,062
B & F	3,250	3,250	3,250	3,250	3,250

The Delegation for Basic Biomedical Research, the new Board of Public and Scientific Affairs of the American Society for Microbiology, and the Association of Independent Research Institutes recommends that an additional $30 million be appropriated for training in FY 1980. This is necessary in order to implement the cost-of-living increases for pre- and post-doctoral trainees that were authorized in 1978 and to cover an increase in stipends and institutional costs for postdocs from $10,000 to $13,300 and for predocs from $3,900 to $5,504. Unless this amount is added, the number of trainee slots will be decreased to meet the mandated cost-of-living increases in FY 1980. The poverty level for a single male not living on a farm in 1978 was $3,390 and for a family of four not living on a farm was $6,660. We feel this amount is critical in order to stabilize the national basic biomedical research endeavor in training.

We recommend a corresponding cut of $30 million in the President's FY 1980 budget for center grants and contracts at NIH.

STATEMENT OF EDWIN G. KREBS, M.D., PROFESSOR AND CHAIRMAN, DEPARTMENT OF PHARMACOLOGY, UNIVERSITY OF WASHINGTON

My biographical sketch is enclosed. Briefly, I am the Chairman of the Department of Pharmacology at the University of Washington and an investigator of the Howard Hughes Medical Institute. I regret that it was not possible for me to arrange my schedule so that I could appear before the Subcommittee in person, nevertheless, I appreciate the opportunity to submit these remarks concerning the program of the National Institute of General Medical Sciences and its importance to health-related research and research training.

The research training programs of the NIGMS are of particular interest to me because in 1946 I was one of the early recipients of a postdoctoral research fellowship from the National Institutes of Health. This fellowship enabled me to obtain research training and made it possible for me to elect a career in medical research and teaching, rather than going into the practice of medicine. Although I feel strongly that all of the basic programs of NIGMS should be well supported, I will address my remarks primarily to the research training aspect.

The NIGMS plays a key role in assuring the country of a continuing source of highly trained medical research scientists. It is essential that programs for the research training of predoctoral fellows, postdoctoral fellows, and MD-PhD candidates be maintained and adequately supported. It is especially important that such support be steady and reasonably consistent from year to year inasmuch as the Institute works through a number of educational institutions that cannot suddenly build up research training facilities or dismantle their training structure abruptly, depending upon the level of support available at a particular time. If support levels are erratic the end result is wasteful and the quality of scientific training inevitably suffers. Each of the specific programs that I have mentioned above is important, and I hesitate to single out any specific aspect of research training lest this be interpreted as downgrading the others, but I would like to emphasize particularly the desirability of providing increased support for the MD-PhD program.

It has always been true and will continue that schools of medicine are primarily devoted to supplying practicing physicians to meet the needs of the country. Thus, their curricula are established to meet this end. A medical school must also supply a much smaller, but equally essential, group of students who are trained for careers in medical research and teaching. The MD-PhD student is one type of trainee who is ideally suited for this latter type of career. Over the past decade or two medical schools have, of necessity, found it necessary to be somewhat less rigorous in the scientific aspects of medical training. Thus, a pointed medical scientists' program, i.e., the MD-PhD program, is particularly important today. In my opinion, the number of MD-PhD's being trained each year should be increased over the present level.

I wish to thank you for having been allowed to submit this brief statement.

Curriculum Vitae

Edwin G. Krebs

Place and Date of Birth:

Lansing, Iowa; June 6, 1918

Marital Status:

Married, three children

Training and Experience:

1936 - 1940	University of Illinois, Urbana, A.B. in Chemistry
1940 - 1943	Washington University School of Medicine, St. Louis, Missouri, M.D., December 1943
1944 - 1945	Barnes Hospital, St. Louis, Missouri, Intern and Assistant Resident in Internal Medicine
1945 - 1946	Active duty as medical officer in U.S. Navy
1946 - 1948	Research Fellow in Biological Chemistry, Washington University School of Medicine, St. Louis
1948 - 1952	Assistant Professor of Biochemistry, University of Washington, Seattle
1952 - 1957	Associate Professor of Biochemistry, University of Washington, Seattle
1957 - 1966	Professor of Biochemistry, University of Washington, Seattle
1966 - 1968	Professor of Biochemistry, University of Washington and Assistant Dean for Planning in the School of Medicine, Seattle
1968 - 1976	Professor and Chairman, Department of Biological Chemistry, School of Medicine, University of California, Davis
1972 - 1976	Chairman, Division of Sciences Basic to Medicine, School of Medicine, University of California, Davis
1977 -	Professor and Chairman, Department of Pharmacology, University of Washington; and Investigator of the Howard Hughes Medical Institute, Seattle

Membership in Societies:

American Society of Biological Chemists
American Association for the Advancement of Science
American Chemical Society
American Academy of Arts and Sciences (since 1971)
National Academy of Sciences, USA (since 1973)
Sigma Xi
Phi Beta Kappa
Phi Kappa Phi
Alpha Omega Alpha

Medical Licensure:

Missouri
Washington

Awards and Honors:

Postdoctoral Fellowship of National Institutes of Health, 1946-48
John Simon Guggenheim Fellowships, 1959 and 1966
Alumni Citation for Outstanding Professional Achievement, Washington University, St. Louis, 1972
Distinguished Lectureship Award of International Society of Endocrinology, 1972
Annual Faculty Research Lectureship, University of California, Davis, 1975-76
Gairdner Foundation Award, Toronto, Ontario, Canada 1978

Extramural Activities:

Physiological Chemistry Study Section, NIH (1963-1968)
Editorial Board, *Journal of Biological Chemistry* (1965-1970)
Biochemistry Test Committee, National Board of Medical Examiners (1968-1971)
Education Affairs Committee, American Society of Biological Chemists (1965-1968)
Research Committee, American Heart Association (1970-1974)
Editorial Advisory Board, *Biochemistry* (1971-)
Editorial and Advisory Board, *Molecular Pharmacology* (1972-)
Associate Editor, *Journal of Biological Chemistry* (1972-)
International Advisory Board, *Advances in Cyclic Nucleotide Research* (1972-)
Councillor, American Society of Biological Chemists, (1975-1978)

Field of Scientific Specialization:

Regulation of carbohydrate metabolism
Mechanism of action of cyclic AMP
Protein phosphorylation reactions

STATEMENT OF THE AMERICAN FEDERATION FOR CLINICAL RESEARCH

The American Federation for Clinical Research is the largest clinical research organization in the United States and is comprised of more than 10,000 medical scientists interested in promoting and encouraging original research in clinical and laboratory medicine. Our primary goal is to stimulate the interest of young persons in clinical research by providing a forum for the young investigator to present his work and by publishing this work in abstract form in our Journal, CLINICAL RESEARCH. The majority of our members are physicians working in schools of medicine throughout the country.

The American Federation for Clinical Research (AFCR) remains deeply concerned about the decline in the number of young investigators entering careers in clinical investigation. In a recent report by Dr. David Challoner, Dean of St. Louis University School of Medicine, to the National Academy of Sciences the disturbing trend of the decline in the supply of clinical investigators is documented. There has been a sharp dropoff in the proportion of physicians-investigators among first time principal investigators seeking research grants from the National Institutes of Health (NIH), with the proportion falling from 43.9% in 1966 to 22.3% in 1975. The number of physicians reporting research as a primary activity declined from 14,441 in 1968 to 7,944 in 1975, an average annual decline of 9%. The number of post-professionals in research training programs supported by NIH fell from 4,600 in 1971 to 1,800 in 1977, an average annual decline of 14%.

Despite government announcements that research is to receive more support, the actual support available for funding the research of young independent investigators is falling. President Carter's proposed budget for fiscal year 1980 indicates an actual reduction in overall support for biomedical research in that the total dollars for NIH are practically identical to 1979 (there is a slight reduction of $17.1 million) but this is accompanied by the loss of 7-10% (approximately $250 million) in buying power due to inflation. The total budget for all research projects has changed little between 1979 ($1.378 million) and 1980 ($1.372 million). However, analysis of the budget by mechanism of support reveals a disconcerting and unacceptable reduction in the funds available to young investigators. There has been an extraordinary reduction of 43% in funds available for competing research projects, with these funds reduced from $494 million in 1979 to $279 million in the President's budget. This is due to a marked increase in obligated non-competing research projects supported by the NIH. At this level of funding it is estimated that the NIH could fund only 20% of all new and competing approved grants compared to 43% of fiscal year 1979. Because young biomedical investigators are supported primarily by investigator-initiated competing research grants, this reduction in funds for competing grants must be vigorously opposed.

Although the President and the Secretary of DHEW have voiced support for the training of young medical investigators, the 1980 budget contains only a modest increase in funds for training (4.6% above the 1979 budget), an increase that does not balance losses due to inflation or permit the cost-of-living increases in training stipends authorized by the 95th Congress.

The premise that funding for research should not expand or should be reduced is not a statement of economic necessity but is a political judgment that confuses health care costs with research costs. The current national research budget is only 1.6% of total health costs, a miniscule investment by all standards. The AFCR urges the Congress to increase NIH funding by $250 million in FY 1980 so that competitive research projects can be awarded at the FY 1979 level. AFCR also asks that funds for research training be increased $13 million in FY 1979 (by supplemental appropriation) and by $35 million (to a total of $179 million) in FY 1980. The AFCR urges the Congress to take these modest measures to prevent further decline in the training and support of the next generation of young clinical investigators.

SUBCOMMITTEE RECESS

Senator HATFIELD. The subcommittee is recessed until tomorrow morning.

[Whereupon, at 10:40 a.m., Tuesday, March 27, the subcommittee was recessed, to reconvene at 10:30 a.m., Wednesday, March 28.]

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